

15th September, 1925

THE  
**LEGISLATIVE ASSEMBLY DEBATES**  
**(Official Report)**

THIRD SESSION

OF THE

**SECOND LEGISLATIVE ASSEMBLY, 1925**



SIMLA  
GOVERNMENT OF INDIA PRESS  
1925

# LEGISLATIVE ASSEMBLY.

Tuesday, 15th September, 1925.

The Assembly met in the Assembly Chamber at Eleven of the Clock, Mr. President in the Chair.

## MEMBER SWORN :

Sir Denys de Saumarez Bray, K.C.I.E., C.S.I., M.L.A. (Foreign Secretary).

## QUESTIONS AND ANSWERS.

### ARRIVAL PLATFORM AT EGMORE.

899. \*Mr. M. K. Acharya : Will the Government be pleased to state :

- (a) Whether their attention has been drawn to a note in the *Indian Railway Magazine* for August entitled "Arrival Platform at Egmore" (at page 226) wherein attention is drawn to the great inconvenience caused to third class passengers by the practice of drawing up long distance trains except the Boat Mail on the third platform instead of on the arrival platform and making the passengers cross by the overbridge ?
- (b) Whether the Government will be pleased to issue the necessary instructions to the Agents to draw up all long distance trains on the arrival platform ?

**The Honourable Sir Charles Innes :** The Government cannot undertake to issue instructions as to which platform particular trains should be directed.

### ARRIVAL OF THE SPECIAL TRAIN OF THE HIGH PRIEST OF THE RANA OF UDAIPUR ON THE THIRD PLATFORM OF EGMORE STATION.

900. \*Mr. M. K. Acharya : Will the Government be pleased to state :

- (a) Whether their attention has been drawn to a note entitled "The High Priest of the Rana of Udaipur" in the *Indian Railway Magazine* for August 1925 (page 226) which alleges that even the special train of His Holiness was drawn up only on the third platform ?
- (b) Whether the special train of any European has ever been drawn up on any platform except the first or the fourth at Egmore ?

**The Honourable Sir Charles Innes :** The Honourable Member is referred to the answer to his previous question. The Government have no information as to part (b) of the question.

### WOES OF STEAMER PASSENGERS AT EGMORE RAILWAY STATION.

901. \***Mr. M. K. Acharya** : Will the Government be pleased to state :

- (a) Whether their attention has been drawn to an article entitled " Woes of steamer passengers at Egmore " in the August issue of the *Indian Railway Magazine* ?
- (b) Whether the Government are aware of the fact that on most steamer days the long distance trains get abnormally overcrowded and even messages to stop booking at wayside stations are sent ?
- (c) Whether there has been a single occasion during the last twelve months when a special train has been run on steamer days to cope with the heavy traffic, at least when ordinary trains have become overcrowded to the knowledge of the railway authorities so greatly as to necessitate the stoppage of booking at intermediate stations ?
- (d) Whether the Government be pleased to consider the advisability of asking Messrs. Binny & Co., the steamer agents of the B. I. S. N. Co., Ltd., to collect the railway fare along with the steamer fare so as to give a previous idea of the incoming traffic to the railway authorities and enable them to arrange for a special train in time ?

**Mr. G. G. Sim** : The Government have no doubt that the Agent has already seen the article, but they will draw his attention to it.

### TREATMENT OF THIRD CLASS PASSENGERS ON THE SOUTH INDIAN RAILWAY.

902. \***Mr. M. K. Acharya** : Will the Government be pleased to state (a) whether they are aware of the fact that the South Indian Railway authorities charge heavier rates and provide fewer facilities for third class passengers than the authorities of most other railways ? (b) What steps are Government taking to minimise the grievance complained of ?

### REDUCTION OF THIRD CLASS FARES ON THE SOUTH INDIAN RAILWAY.

903. \***Mr. M. K. Acharya** : Will the Government be pleased to state whether they will consider the desirability of advising the authorities of the South Indian Railway, to reduce their third class fares to the same level as those on the Madras and Southern Mahratta Railway ?

**Mr. G. G. Sim** : I propose to answer this and the question preceding together.

The question is being specially examined by the Railway Administration and the result of that examination is expected to be known soon.

### STOPPAGES OF TRAINS AT KHARINDWA RAILWAY STATION.

904. \***Khan Bahadur Sarfaraz Hussain Khan** : (a) Will Government be pleased to state why the 2 Down and the 6 Down trains do not stop at Kharindwa railway station on the Delhi-Ambala-Kalka section of the North Western Railway while the latter train stops on less important and almost on every other station on the same line ?

(b) Are Government aware of the inconvenience and trouble caused by the non-stoppage of the said down train at Kharindwa railway station as the passengers travelling by the Punjab Up and Down trains, and reaching Ambala Junction after 11-15 p.m., have to wait for a full 10 hours at that Junction in order to catch the train for Kharindwa railway station ?

(c) Do Government propose to issue orders to the railway authorities concerned for the usual stoppage of the said train and to remove the inconvenience of the passengers for Kharindwa railway station ?

**Mr. G. G. Sim :** (a) and (b). Government have no information.

(c) If there is any inconvenience it is essentially a matter which should be taken up by the Local Advisory Committee. A copy of the question and answer will be sent to the Agent, North Western Railway.

#### INTRODUCTION OF A MAIL MOTOR SERVICE BETWEEN DHAMANGAON AND YEOTMAL.

905. **\*Mr. M. S. Aney :** (a) Are the Government aware that there had been a regular mail service by tonga between Dhamangaon and Yeotmal, and that all post for Yeotmal and Kelapur used to be received at the Dhamangaon station, Great Indian Peninsula Railway and sent by the mail tonga to Yeotmal and Kelapur ?

(b) Are Government aware that the mail service between Dhamangaon and Yeotmal has been abolished since the Murtizapur Yeotmal railway line was opened and all post for Yeotmal and Kelapur coming from the Bombay Presidency and Nagpur is now being sent by the railway line via Murtizapur ?

(c) Are the Government aware that the posts for Yeotmal and Kelapur are delayed more than 12 hours on account of their being sent by the Murtizapur Yeotmal railway ?

(d) Are the Government aware that more than 100 taxis are plying for hire between Dhamangaon and Yeotmal during the last three years ?

(e) Do the Government propose to introduce a mail motor service between Dhamangaon and Yeotmal ?

**Mr. G. P. Roy :** (a), (b), (c) and (d). Yes.

(e) No. The proposal involves additional expenditure of about Rs. 300 a month which cannot at present be incurred.

#### MOTOR MAIL SERVICE BETWEEN YEOTMAL AND KELAPUR.

906. **\*Mr. M. S. Aney :** Are the Government aware that there is a regular motor mail service introduced between Yeotmal and Kelapur for the last few years ?

**Mr. G. P. Roy :** The motor mail service between Yeotmal and Kelapur was introduced only last October.

#### INTRODUCTION OF A MOTOR MAIL SERVICE BETWEEN KELAPUR AND WUN.

907. **\*Mr. M. S. Aney :** Are the Government prepared to consider the question of introducing a motor mail service between Kelapur and



Wun and directing that all posts from Yeotmal to Wun be despatched by the motor service *via* Kelapur ?

**The Honourable Sir Bhupendra Nath Mitra :** No. Wun is a small place and a costly direct service between it and Kelapur is not justified.

INTRODUCTION OF A MOTOR MAIL SERVICE BETWEEN DARWHA MOTIBAG AND PUSAD AND BETWEEN PUSAD AND UMARKHED.

908. **\*Mr. M. S. Aney :** Are the Government prepared to consider the question of introducing a mail motor service between

(a) Darwha Motibag and Pusad (Berar),

(b) Pusad and Umarkhed ?

**The Honourable Sir Bhupendra Nath Mitra :** (a) No. The amount of direct correspondence between Darwha and Pusad is small and does not warrant a costly direct service.

(b) A mail motor service from Basim to Pusad will be introduced from next month and its extension to Umarkhed will be considered in the near future.

GRANT OF MOTOR MAIL SERVICE CONTRACTS TO OLD TONGA MAIL SERVICE CONTRACTORS IN BERAR.

909. **\*Mr. M. S. Aney :** (a) Did Sir Benjamin Robertson, the late Chief Commissioner of Central Provinces, issue any circular letter advising the Post Master General and the Commissioners to give preference to old and reliable contractors of the mail service in Berar at the time of introducing the system of the motor mail service in substitution of the tonga mail service on any line ?

(b) Is it a fact that the old mail tonga contractors in Berar were given to understand by the postal authorities that they would be given preference at the time of the introduction of the motor mail service ?

(c) Are the Government aware that a firm of contractors called Pestonji & Sons had been carrying mails between Buldana and Malkapur from 1880 to 1898 ?

(d) Is it a fact that one Mr. Tata had been the contractor for the mail service from 1898 to 1920 on the death of Pestonji, his grandfather ?

(e) Is it a fact that Mr. Tata was given the contract for the motor mail service on the Buldana Malkapur line on an annual subsidy of Rs. 400 from 1921-1924 in pursuance of the policy of giving preference to old contractors ?

**The Honourable Sir Bhupendra Nath Mitra :** (a) Yes.

(b) No.

(c) and (d). The Malkapur-Buldana mail tonga contract was run by Messrs. Pestonji and Sons from 1896 to March, 1921. Mr Tata represented this firm and managed the service from about 1909.

(e) Mr. Tata was given the mail motor contract because he was a reliable contractor and the application for the contract from another Company was not recommended by the local Deputy Commissioner.

CONTRACT FOR THE MAIL SERVICE ON THE BULDANA MALKAPUR LINE.

910. \***Mr. M. S. Aney** : (a) Is it a fact that the contract for the mail service on the Buldana Malkapur line has been given to one firm of *lohars* at Buldana in preference to Mr. Tata ?

(b) Is it a fact that Mr. Crofton, the Deputy Commissioner of Buldana (i) had strongly supported the claim of Mr. Tata and (ii) had brought to the notice of the postal authorities that the firm of *lohars* to whom the contract for the motor mail service was given was not reliable ?

(c) Is it a fact that Mr. Tata intimated to the postal authorities, his readiness to accept the contract for the mail motor service on the annual subsidy of Rs. 300 when he learnt that the tender of the *lohars* was accepted by the postal authorities on the ground of being lower than his own ?

(d) Will the Government be pleased to explain why Mr. Tata was not given the option of " first refusal " on lower tender ?

**Mr. G. P. Roy** : (a) Yes.

(b) Yes ; but Mr. Crofton's reference was mainly in connection with the Buldana-Mehkar contract.

(c) Yes. The subsidy referred to, however, was a monthly and not an annual one.

(d) Open tenders were called for, and the lowest satisfactory tender was accepted. The procedure suggested by the Honourable Member would be obviously unfair to the other tenderers.

CONTRACTS FOR THE MOTOR MAIL SERVICE ON THE AKOLA AKOT LINE AND ON THE BULDANA MALKAPUR LINE.

911. \***Mr. M. S. Aney** : (a) Will the Government be pleased to say whether any tenders for the motor mail service on the Akola Akot line were invited by the postal authorities before giving the contract of mail service for that line on the last occasion ?

(b) If not will the Government be pleased to explain the reasons for inviting tenders for the Buldana Malkapur line and not inviting the same for the Akola Akot line ?

(c) Will the Government be pleased to call for an explanation from the Postmaster General, Central Provinces in regard to the policy pursued by him in the matter of contract for the mail service on the Buldana Malkapur line and the Akola Akot line and place the same on the table for information of the Members of this House ?

**The Honourable Sir Bhupendra Nath Mitra** : (a) Yes.

(b) Does not arise.

(c) No.

DAILY LETTER TELEGRAM SERVICE BETWEEN INDIA AND FOREIGN COUNTRIES.

912. \***Mr. M. S. Aney** : (a) Will the Government be pleased to state the amount recovered during the years 1923-24 and 1924-25 and from April 1925 to the end of August 1925 from the telegrams sent under the

concession-system of the daily letter telegram service introduced between India and Great Britain in October 1923 ?

(b) Will the Government be pleased to give the number of telegrams and the number of words telegraphed during the above period ?

(c) Will the Government be pleased to say whether the introduction of the daily letter telegram service has added to the work of the telegraphic staff and in any way increased the cost of the Telegraph Department ?

**The Honourable Sir Bhupendra Nath Mitra :** (a) and (b). Particulars are only available up to May 1925 and only for the daily letter service to all countries. They are as follows :

—					Amount recovered.	Number of Telegrams.	Number of words.
1923-24	..	..	..	..	29,688 7 0	25,048	6,41,477
1924-25	..	..	..	..	75,492 0 0	82,415	21,23,680
April 1925	..	..	..	..	7,578 0 0	6,540	214,146
May 1925	..	..	..	..	8,960 0 0	9,714	248,375

(c) The work, but not the cost, of the Department has increased.

#### EXTENSION OF THE DAILY LETTER TELEGRAM SERVICE TO BRITISH POSSESSIONS AND THE UNITED STATES OF AMERICA.

913. **\*Mr. M. S. Aney :** (a) Will the Government be pleased to state what additional revenue the Government expect to derive and what additional expenditure Government will have to incur from the further extension of the daily letter telegram service to all British Possessions and the United States of America ?

(b) Will the Government be pleased to say whether the daily letter telegram service has already been extended to all British Possessions and the United States of America and, if so, from what date ?

**Mr. G. P. Roy :** (a) Since the revenue and expenditure of the Department is not allocated to particular services, the information asked for is not available. But so far there has been no additional expenditure as a result of the extension of the daily letter telegram service to all British Possessions and the United States of America.

(b) The service was extended to the United States of America from the 1st of September 1924, to Canada from the same date, and to other British Possessions from the 1st December 1924.

**TRANSFER OF THE CENTRE AT WHICH THE EXAMINATIONS FOR THE INDIAN CIVIL SERVICE AND THE INDIAN AUDIT AND ACCOUNTS SERVICE ARE HELD FROM ALLAHABAD TO DELHI.**

914. \*Sardar Gulab Singh : (a) Has the attention of the Government been drawn to the letters and articles appearing in *The Tribune* of the 28th of July and the 1st of August and in *The Hindustan Times* of the 31st of July and the 14th of August, showing that there is a strong public opinion in favour of the transfer of the centre of the I. C. S. and the Indian Audit and Accounts Service Examinations from Allahabad to Delhi ?

(b) Are the Government going to hold the next I. C. S. and the Indian Audit and Accounts Service Examinations in Delhi ? If not, why not ?

**The Honourable Sir Alexander Muddiman :** (a) I have seen the letters and articles in question, but am unable to accept the Honourable Member's deductions from them.

(b) No, because satisfactory arrangements have been made to hold them at Allahabad.

**STOPPAGE OF INCREMENTS OF CLERKS AND ACCOUNTANTS IN THE OFFICE OF THE ACCOUNTANT GENERAL, UNITED PROVINCES.**

915. \*Mr. M. Yusuf Imam : Will the Government be pleased to state separately in each case, the total number of clerks and accountants in the office of the Accountant General, United Provinces (a) whose increments have been stopped during the regime of Mr. H. B. Rau, (b) whose increments were stopped during the regime of his immediate predecessor, (c) who have been held up at the efficiency bars during the regime of Mr. Rau, (d) who were held up at the efficiency bars during the regime of his immediate predecessor ?

**DETENTION IN OFFICE TILL 9 P.M. ON 1ST MAY 1925 OF THE CLERKS OF THE OFFICE OF THE ACCOUNTANT GENERAL, UNITED PROVINCES.**

916. \*Mr. M. Yusuf Imam : (a) Will the Government be pleased to state whether it is a fact that on the 1st of May, 1925, (Ramzan day) all the clerks in the office of the Accountant General, United Provinces, were ordered not to go home without taking their pay, however late it might be ?

(b) If so, will the Government be pleased to state who was responsible for this order which necessarily caused a good deal of physical suffering to the whole lot of Muhammadan clerks who are required according to their religion to break their fast in the evening during the Ramzan days, but were precluded from doing so by reason of their detention in office till 9 o'clock at night ?

(c) What steps do the Government propose to take against the officer who was responsible for the order ?

**DISCIPLINARY ACTION AGAINST OFFICERS AND CLERKS IN GOVERNMENT OFFICES.**

917. \*Mr. M. Yusuf Imam : What is the practice in Government offices of taking disciplinary action against officers and clerks for mistakes

made in the discharge of their duties and what is the nature of the mistakes for which punishment is given ?

**OVERPAYMENTS OF PENSION TO ENGINEER OFFICERS BY THE ACCOUNTANT GENERAL, UNITED PROVINCES.**

918. **\*Mr. M. Yusuf Imam :** Is it a fact that the over-issue of pension has been made on account of wrong orders passed by the Accountant General, United Provinces, Mr. H. B. Rau, in defiance of the long established office procedure, to a number of engineer officers who started service as apprentice overseers in the P. W. D. ? If so, what is the total amount of such overpayments, and what disciplinary action do Government propose to take against the officer ?

**The Honourable Sir Basil Blackett :** The attention of the Honourable Member is invited to the replies already given some days ago to the practically similar questions by Mr. Gaya Prasad Singh. (Questions Nos. 211 to 214.)

**RETURN TO THE DONORS OF THE TEA SET PRESENTED TO THE ACCOUNTANT GENERAL, UNITED PROVINCES.**

919. **\*Mr. M. Yusuf Imam :** Will the Government be pleased to state whether the present of the silver tea set acknowledged to have been received by Mr. H. B. Rau, Accountant General, United Provinces, in the Honourable the Finance Member's reply to the interpellation by me, was returned to the donors before or after the receipt of the notice of the said question (No. 336) at the last Session of the Assembly and included in the debates of the 27th January, 1925, (b) whether it is a fact that presents other than the silver tea set were also received by the Accountant General, United Provinces, Mr. H. B. Rau, in connection with the marriage of his daughter last year ? (c) If the reply to (b) be in the affirmative, will the Government be pleased to state whether the full value of these presents was also refunded to the donors ? Are the Government aware that the tea set under question was not returned to the donors, but only a part of the cost was paid to them ?

**The Honourable Sir Basil Blackett :** The tea set was returned to the donors long before the receipt of the notice of the question in the last Session of the Assembly.

(b) The reply is in the negative.

(c) The first part does not arise.

In regard to the second part, the fact is that the tea set was placed at the disposal of the donors soon after it was received. Later on, however, it was found that the donors had considerable difficulty in reselling it and the Accountant General therefore refunded to the donors, through an Assistant Accounts Officer, the price stated to have been paid by them and took back the set, so that they might not be put to further loss.

**ALLEGED FAVOURITISM SHOWN TO CERTAIN SUBORDINATES BY THE ACCOUNTANT GENERAL, UNITED PROVINCES.**

920. **\*Mr. M. Yusuf Imam :** (a) Is it a fact that the subordinates in the office of the Accountant General, United Provinces who have either

got unusual promotions out of their turn or where promotions were not possible, duty allowance, were among those who contributed to the cost of the silver tea set presented to Mr. Rau, Accountant General, United Provinces, *vide* the reply of the Honourable the Finance Member to question No. 336 put by me and published in the official report of the debates of the 27th January, 1925, Vol. V, No. 5 ? (b) If so, are the Government prepared to convey their strong disapproval to the officer and take any further action they may deem fit in the matter ?

**The Honourable Sir Basil Blackett :** The tea set was received by the Accountant General through an Assistant Accounts Officer in the office and it was returned to him. No attempt was made by the Accountant General to ascertain the names of the contributors at that time nor is it proposed to make such inquiry now.

### FLOODS IN THE VARIOUS PROVINCES.

921. **\*Pandit Nilakantha Das :** Will the Government find it possible to supply information regarding :

- (a) the area under flood in various provinces this summer,
- (b) the population affected in each case,
- (c) measures taken by Local Governments and the estimated expenditure incurred by them :
  - (1) to relieve the immediate distress of the people, (2) and to apply permanent remedies.
- (d) any instances where the flood has been found to be due to railway lines ?

**Mr. J. W. Bhore :** (a), (b) and (c). Provincial Governments, at their discretion, send the Government of India brief information regarding the occurrence of floods, which have resulted in the loss of life or of considerable property. Copies of such reports from Local Governments, so far as received this year, will be sent to the Honourable Member. The Government of India have no further information.

(d) The Government of India are not aware that any floods this year have been attributed to railway lines.

### ESTABLISHMENT OF A CIRCUIT COURT OF THE LAHORE HIGH COURT IN DELHI.

922. **\*Sir Hari Singh Gour :** With reference to my question of which private notice was given, dated 24th March 1924, will the Government be pleased to state how far the proposal to establish a circuit court of the High Court of Judicature of the Punjab in Delhi has progressed and what are the prospects of its early establishment ?

**The Honourable Sir Alexander Muddiman :** The views of the Punjab Government, the Lahore High Court and the local Administration on the question of establishing a circuit court of the Lahore High Court at Delhi have been received. The proposal was originally made with the object of effecting an improvement in the disposal in the Lahore High Court of civil appeals from decisions of the Courts in Delhi. The views to which I have referred will now be considered with any remarks of the Civil Justice Committee on this latter question.

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**ROCKEFELLER FOUNDATION SCHOLARSHIPS.**

923. **\*Mr. B. Das :** 1. (a) Has the attention of Government been drawn to the references published in the *Leader*, Allahabad, dated May 26, 1925, regarding the Rockefeller Medical Fellowships ?

(b) Is it a fact that Government selected in November 1922 five Indian doctors to whom Rockefeller Scholarships were awarded ; if so was it not the intention to utilize these doctors, after they returned from their studies, for specialist work, where they were to be of the greatest use ?

(c) Is it not a fact that almost all of these scholars have now returned to India and that none of them has been given work of a specialist nature ?

(d) Is it not a fact that although Dr. Mathur took the Doctorate in Public Health from the John Hopkins University, he was on his return to India posted as Health Officer of Benares which is a junior type of public health appointment ?

(e) Is it not a fact that Dr. Khan who also took the Doctorate in Public Health has been employed as an Assistant Surgeon, i.e., in the same capacity as he was employed before he left India ?

(f) Is it not a fact that Dr. Ediban with the same record as that of Dr. Khan was employed on return as an Assistant Surgeon in a dispensary ?

(g) Is it not a fact that Major Sokhey who was trained in biochemistry, on his return, was reverted to military duty in Dera Ismail Khan ?

(h) Is it not a fact that Dr. Mehta who was specially trained in laboratory work has returned and is still without employment ?

2. Are the Government prepared to consider a definite scheme to use the services of such experts, and have Government taken any steps to ensure that these highly trained doctors, who are all too rare in the country at present, are employed in specialist posts ?

3. Do Government contemplate sending another batch of scholars and will it take steps to formulate a scheme before sending out a fresh batch ?

4. Have Government received any representation or application from any of the five scholars who have already returned and if so what action has been taken on them ?

**Mr. J. W. Bhore :** 1. (a) Government have seen the comments which appeared in the *Leader* newspaper on the 25th and 27th May 1925.

(b) Five candidates were selected, but the General Director, International Health Board, Rockefeller Foundation, was informed that employment under Government could not be guaranteed in any particular case though every endeavour would be made to give opportunities to them on completion of their studies to utilise their special training.

(c) The reply to the first part of the question is in the affirmative and to the second part in the negative.

(d) Dr. Mathur was awarded the degree of Dr. of Public Health and has been posted as Medical Officer of Health, Benares Municipality. The appointment is in the First Class of the Provincial Service of Medical Officers and not of a subordinate or unimportant character.

(e) and (f). Yes.

(g) Major Sokhey was reverted to military duty temporarily, but is now attached to the Haffkine Institute at Bombay to direct the Biochemical section.

(h) Dr. Mehta has been employed by the Punjab Government as District Medical Officer of Health, Montgomery.

2. and 3. As the Honourable Member is no doubt aware public health and medical administration are now transferred provincial subjects and it is not possible for the Government of India to formulate a scheme for utilising the services of sanitary specialists. In calling for nominations this year for fellowships of the Rockefeller foundation it has been impressed on all Local Governments that candidates should only be recommended if they can be reasonably assured of suitable employment on return.

4. A representation was received from Dr. Edibam and Local Governments have been asked whether any of them can offer him a suitable appointment.

**Dr. K. G. Lohokare :** Do Government propose to help these men if they take to research work on their own account ?

**Mr. J. W. Bhore :** I must ask for notice of that question.

DECREE OF THE POONA COURT AGAINST THE LATE 7TH HARIANA LANCERS.

924. \***Khan Bahadur W. M. Hussanally :** Will Government be pleased to state :

(a) Whether the 7th Hariana Lancers are now known as the 18th Cavalry ;

(b) Is it a fact that this regiment has a decree of the Poona Court against it for about Rs. 2,000 ?

(c) Who is responsible for the payment of this debt ?

(d) To keep up the good name of the regiment, do Government intend to inquire into the matter and clear up the debt ?

**Mr. E. Burdon :** (a) No, Sir. On the disbandment of the 7th Hariana Lancers, certain details of this regiment together with details of another disbanded Indian cavalry regiment, were embodied in the 18th King Edward's Own Cavalry. The 7th Hariana Lancers, as such, has ceased to exist.

(b) Government are informed that a decree for Rs. 1,200 plus interest at 12 per cent. and proportionate costs, was given against the late 7th Hariana Lancers on the 4th September 1923.

(c) The officer who was commanding the late 7th Hariana Lancers at the time the debt was incurred, in his capacity as such. There are however no funds in existence formerly belonging to the regiment, with which to pay the debt.

(d) I am making inquiries, and will inform the Honourable Member of the result.

DISMISSAL OF MR. A. R. CHATTERJI, A GUARD ON THE EAST INDIAN RAILWAY.

925. \***Mr. Amar Nath Dutt :** Is it a fact that an Indian guard of the East Indian Railway, Mr. A. R. Chatterji, was dismissed on the report



of Mr. Elamborn, A. T. M. of Burdwan ? If so, will the Government be pleased to state whether the guard was allowed to explain his conduct before being dismissed ? If not, will the Government be pleased to state the reasons ?

**Mr. G. G. Sim :** Government have no information.

**Mr. Amar Nath Dutt :** Will the Government be pleased to inquire about it, Sir ?

**Mr. G. G. Sim :** No, Sir.

**Mr. Amar Nath Dutt :** May I know, why not ?

**Mr. G. G. Sim :** I have repeatedly informed the Honourable Member that Government will not interfere in questions of appointment and dismissal in the subordinate staff of Railway.

**Diwan Chaman Lall :** Does the Honourable Member not think it proper to set up a sub-committee of the Railway Board to consider matters of this kind ? They are cropping up constantly in this House.

**Mr. G. G. Sim :** No, Sir.

**Diwan Chaman Lall :** Is the Honourable Member aware that in other countries like England there are committees appointed by the employers and the workers for this purpose ?

**Mr. G. G. Sim :** I do not think the question arises.

#### FINES IMPOSED ON INDIAN AND ANGLO-INDIAN RAILWAY EMPLOYEES.

926. **\*Mr. Amar Nath Dutt :** Is it a fact that the amount of fines imposed upon Indian employees is the same as that imposed on Anglo-Indian employees although there is good deal of difference in the rates of pay of the Indians and Anglo-Indians ? Are the Government prepared to take steps for imposing fines according to rates of pay ?

**Mr. G. G. Sim :** Fines are inflicted in accordance with the nature of the breach of rules committed. Pay is always taken into consideration in fixing the amount.

**Mr. N. M. Joshi :** May I ask whether the Government propose to introduce some legislation to regulate the powers of the employers to fine their employees, by an Act like the one in England ?

**Mr. G. G. Sim :** Government have no such intention at present.

**Mr. N. M. Joshi :** Why not ?

#### GRANTS FROM THE FINES FUND TOWARDS THE EDUCATION OF THE CHILDREN OF INDIAN RAILWAY EMPLOYEES.

927. **\*Mr. Amar Nath Dutt :** Is it a fact that fines realised from Indian and Anglo-Indian employees are utilised for the Oakgrove School at Dehra Dun for the education of the children of the Anglo-Indian employees ? If so, will the Government be pleased to take steps to utilise a part of the amount for the education of the children of the Indian employees ?

**Mr. G. G. Sim :** The answer to the first part of the question is in the negative. As regards the second part considerable grants from the Fine

Fund are already made towards the education of the children of Indian employees.

**CRIMINAL CASES INSTITUTED BY NANDRAM OF HAZARA AGAINST MR. K. S. MUFTI MUHAMMAD YAKUB KHAN, BARRISTER, AND OTHERS.**

928. \***Kumar Ganganand Sinha** : Will the Government be pleased to state in details the full facts relating to the petition of one Nandram of Hazara, Abbottabad District, regarding the transfer of the criminal case which he has instituted against Mr. K. S. Mufti Muhammad Yakub Khan, Bar-at-Law and others, which was sent by His Excellency the Governor General for disposal to the Foreign and Political Department and indicate :

- (a) Why the case instituted by the complainant has not been tried yet ?
- (b) Why the case has not been transferred as prayed for by the complainant ?
- (c) What action is being taken to restore his wife and property to the aggrieved man if his allegations in this connection are true ; and if the allegations are not true, on what grounds are they so and what are the true facts of the case ?

**Sir Denys Bray** : I regret that the facts already in my possession do not cover the whole ground of the Honourable Member's question. In particular I am not quite sure whether any of the many legal proceedings that have gathered round this case are still *sub judice*. I have therefore had to refer back to the North West Frontier authorities. On the receipt of their reply I will let the Honourable Member have a full answer, and in view of the notoriety this case has attracted, it will, I think, serve the public interest if I lay the answer on the table. This I propose to do.

**CERTAIN SPECIFIED APPOINTMENTS IN THE RAILWAY BOARD AND ON STATE RAILWAYS HELD BY EUROPEANS, STATUTORY INDIANS AND INDIANS.**

929. \***Khan Bahadur W. M. Hussanally** : 1. How many appointments are there in the Railway Board, of the rank above Office Superintendents ? How many of these are held by (a) Europeans, (b) statutory Indians and (c) Indians ?

2. How many appointments are there on the Superior Revenue Establishment of State Railways in India ? How many of these are held by each of the three classes mentioned ?

3. How many appointments are there in State Railways in the Loco. Department carrying a salary of Rs. 400 and above ? How many of these are held by each of the three classes mentioned ?

4. How many appointments are there in the Carriage and Wagon Department of State Railways carrying a salary of above Rs. 400 ? How many of these are held by each of the three classes mentioned ?

5. How many appointments are there in State Railways in the Stores Departments as Controllers, District Controllers, Assistant Controllers and Bridge Engineers ? How many of these are held by each of the three classes mentioned ?

6. How many appointments are there in State Railways as Signal Engineers, Electrical Engineers and their Assistants, Marine Superinten-

denis, Catering Superintendents, and Mining Engineers ? How many of these appointments are held by each of the three classes mentioned ?

7. How many appointments are there in State Railways in the Coal Department ? How many of these are held by each of the three classes mentioned ?

8. How many appointments are there in the Subordinate Revenue Establishment (Traffic Branch) of State Railways carrying a salary of Rs. 250 and above ? How many of these are held by each of the three classes mentioned ?

9. How many appointments are there on State Railways in the Subordinate Revenue Establishment (Loco. Department) carrying a salary of Rs. 250 and above ? How many of these are held by each of the three classes mentioned ?

**Mr. G. G. Sim :** Government at this stage cannot give more information than is published in the Railway Board's Classified List and Distribution Return and their report on Indian Railways, copies of which are in the Members' Library.

**Khan Bahadur W. M. Hussanally :** They do not contain the information I want. I want information with regard to Europeans, Anglo-Indians and Indian natives separately.

**Mr. G. G. Sim :** That information is contained in the annual reports in a certain amount of detail and the Government are not prepared to furnish figures arranged in the way suggested by the Honourable Member in any further detail than is therein contained.

#### UNSATISFACTORY ARRANGEMENTS FOR PASSENGERS AT LARKANA STATION IN SIND.

930. \***Khan Bahadur W. M. Hussanally :** (a) Are Government aware that Larkana in Sind is a large town and headquarters of an important district as also a railway junction station : that passenger traffic is enormous but that the facilities at the railway station and platform are wholly inadequate : there is no shed on the platform though heat in the summer is intense : seating accommodation very scanty, lighting at night is primitive : the waiting hall for third class passengers insufficient : no separate accommodation for intermediate class passengers or for females is provided : water arrangements are most unsatisfactory : and that the ingress and egress for first and second class passengers unworthy of an important station like Larkana ?

(b) Are Government prepared to inquire into and remedy these defects at an early date ?

**Mr. G. G. Sim :** Government are not aware that the arrangements at Larkana station are as unsatisfactory as suggested. The matters complained of might suitably be brought to the notice of the Agent through his Local Advisory Committee.

#### APPOINTMENT OF INDIANS AS CONDUCTORS IN THE ROYAL INDIAN MARINE, ETC.

931. \***Mr. Jamnadas M. Mehta :** (a) Will Government be pleased to state whether any Indian has ever been appointed as a Conductor in the Royal Indian Marine ?

(b) Will Government state what the qualifications for holding the office of a Conductor are ?

(c) How many Indians are now working as Conductors ? If none is engaged, why ?

(d) Is it true that no Indians other than Christians are appointed as warrant officers on board the Royal Indian Marine vessels ? If the answer be in the affirmative, will Government state the reasons ?

(e) Is it true that the salary of the Chief Superintendent, Royal Indian Marine, Bombay, is Rs. 650 per month ?

(f) Is it true that the house allowance granted to that officer is Rs. 625 per mensem ?

(g) Will Government be pleased to explain why this exorbitant amount is being given as house rent, while under the Bombay House Allowance Scheme he would be entitled to an average of Rs. 125 only a month as such allowance ?

**Mr. E. Burdon :** (a) The reply is in the affirmative.

(b) The qualifications for Conductors are knowledge of keeping stores, good education and character, etc. They are generally men promoted from the junior ranks in the Stores Department.

(c) None, because no qualified Indians are forthcoming.

(d) It is not true that no Indians other than Christians are appointed as warrant officers on board the Royal Indian Marine vessels.

(e) The pay of the Chief Superintendent, Royal Indian Marine, Bombay, is Rs. 500 a month rising by annual increments of Rs. 30 to a maximum of Rs. 650.

(f) No, Sir.

(g) This does not arise, but I may mention that the Chief Superintendent is provided with quarters, hired by Government, on payment of rent at 10 per cent. of his salary.

**Dr. K. G. Lohokare :** As regards (c), Sir, are there no arrangements by which qualified Indians can be found for these posts ?

**Mr. E. Burdon :** It has not been possible to find any at the moment ; I believe there have been some in the past and I hope there will be more in the future.

**Sardar V. N. Mutalik :** May I ask on what ground Government suppose that there are no qualified Indians forthcoming ?

**Mr. E. Burdon :** On the efforts made by the Director of the Royal Indian Marine to find them, Sir.

#### EXCLUSION OF ALUNDUR FROM THE ST. THOMAS MOUNT CANTONMENT AREA.

**932. \*Haji E. A. K. Jeelani :** (a) Will the Government be pleased to state whether the military authorities intend to exclude a portion called Alundur from the St. Thomas Mount Cantonment area ?

(b) If so, when will the orders on the subject be issued ?

**Mr. E. Burdon :** (a) The answer is in the affirmative.

(b) The orders have been issued.

### APPOINTMENT OF A CANTONMENT BOARD FOR THE ST. THOMAS MOUNT CANTONMENT.

933. **Haji S. A. K. Jeelani :** (a) Will the Government be pleased to state whether they intend to administer the St. Thomas Mount Cantonment the population of which is about 24,000 by a Cantonment Board instead of as at present by Officer Commanding himself ?

(b) If so, when will the orders on the subject be issued ?

(c) If not, why not ?

**Mr. E. Burdon :** (a)—(c). The details of the future administration of the St. Thomas Mount Cantonment will be considered after the question of excluding the Pallavaram area, as well as the sadar bazaar, has been decided. This further question is now being discussed with the Madras Government.

### RESOLUTIONS OF THE ALL-INDIA POSTAL AND RAILWAY MAIL SERVICE UNION.

934. **\*Haji S. A. K. Jeelani :** Will the Government be pleased to state what steps they have taken regarding the resolutions passed by the All-India Postmen and Lower Grade Staff held at Delhi on the 7th, 8th and 9th of February and submitted to the Director General of Posts and Telegraphs ?

**The Honourable Sir Bhupendra Nath Mitra :** The points raised in all the resolutions except Nos. 6, 14, 16 and 21 were discussed by me last March with the deputation of the All-India (including Burma) Postal and Railway Mail Service Union and with the deputation of the All-India Postmen and Lower Grade Staff Union, and are under my consideration. All the remaining resolutions are also being considered.

### RESULT OF THE DEPUTATION OF POSTAL EMPLOYEES TO THE MEMBER IN CHARGE OF POSTS AND TELEGRAPHS.

935. **\*Haji S. A. K. Jeelani :** Will the Government be pleased to state what was the result of a deputation of All-India Postmen and Lower Grade Staff Union received on the 22nd March, 1925, by the Honourable Member in charge and the Director General of Posts and Telegraphs ?

**The Honourable Sir Bhupendra Nath Mitra :** The Honourable Member is referred to the reply which I gave on the 1st of this month to Diwan Bahadur Ramachandra Rao's starred question No. 343. The statement which I hope to be in a position to make early in the Delhi Session of the Assembly will also deal with the points raised by the deputation of the All-India Postmen and Lower Grade Staff Union which I received on the 22nd March 1925.

### PAYMENT OF HILL ALLOWANCES TO POSTMEN IN SIMLA.

936. **\*Haji S. A. K. Jeelani :** (a) Will the Government be pleased to state the names of all the Departments in Simla which pay the hill allowances to their staff and at what rates ?

(b) Are any such allowances paid to the postmen and the lower grade staff ?

(c) If not, why not ?

**The Honourable Sir Bhupendra Nath Mitra :** (a) The Honourable Member will find the information which he desires in regard to Department of the Central Government in the Simla Allowance Code, a copy of which has been placed in the Members' Library.

(b) and (c). Postmen and lower grade postal staff stationed in Simla do not receive a hill allowance since their pay has been fixed with reference to the conditions in Simla.

**VACANCY IN THE OFFICE OF THE EDITOR OF THE EPIGRAPHICA INDICA.**

937. **\*Kumar Ganganand Sinha :** (a) Is it a fact that the present editor of the *Epigraphica Indica* is going to give up his office in the near future ?

(b) If so, when ?

(c) How and when will his successor be appointed ?

(d) Will the Government take into consideration those Archæologists who are attached to Indian Universities but do not belong to the Archæological Department in the matter of the appointment ?

(e) If the answer to (c) be in the negative will the Government be pleased to state why ?

**Mr. J. W. Bhore :** (a) Yes.

(b) On the 16th September 1925.

(c) His successor has already been appointed. The editing of *Epigraphica Indica* is regarded as a regular part of the duties of the Government Epigraphist.

(d) and (e). The questions do not arise.

**Mr. Devaki Prasad Sinha :** Who is his successor ?

**Mr. J. W. Bhore :** Pandit Hira Nanda Shastri.

**OFFICE STAFF OF THE PUBLIC SERVICES COMMISSION.**

938. **\*Kumar Ganganand Sinha :** (a) Will the Government be pleased to state the number and nature of appointments that will be made in the staff and establishment of the Public Services Commission and the classes of persons from which those posts will be filled up ?

(b) If the information be not available at present will the Government be pleased to state when it can be given ?

**The Honourable Sir Alexander Muddiman :** I would refer the Honourable Member to what I said in reply to Mr. Neogy's question No. 995 on 7th instant. I have nothing to add to that reply.

**CASE OF ARUN CHANDRA GUHA, A STATE PRISONER IN BENGAL.**

939. **\*Mr. Kamini Kumar Chanda :** (a) Is Arun Chandra Guha a State prisoner in Bengal ? Is he a partner of the "Saraswat" Press and Library in Calcutta ?

(b) Is it a fact that he is indebted to the Barisal Bank and used to pay the monthly interest to the Bank out of his allowance ?

(c) Is he paid any allowance as a State prisoner ?

(d) Did he apply to Government to pay at any rate the monthly interest to the Bank for him? Has it been allowed?

(e) Is it a fact that owing to refusal of Government to do so his debt to the Bank is accumulating?

(f) Has he been transferred to Dacca and is thus unable to give instructions about the management of the Press?

(g) Is it a fact that his partner Babu Sailendranath Guha Ray, B.A. and his friend Babu Nishikanta Ganguli, M.A., applied to interview him for consultation about his business but were refused permission?

(h) Is it a fact that the District Magistrate of Dacca recommended the transfer of Arun to Calcutta for the management of his business?

(i) Did any non-official visitor of Dacca jail also recommend the same and have both recommendations been refused?

(j) Is the detention of State prisoners under Bengal Regulation III of 1818 for preventive purpose only?

(k) Is the Alipur Central Jail unsafe for his custody?

(l) Will the Government state why it is not considered desirable to transfer him to Alipur, and why his business manager was refused permission to interview him and why he is not granted any allowance?

(m) Are Government prepared to consider the above matters? If not, why not?

**The Honourable Sir Alexander Muddiman :** The information is not immediately available. I shall send a reply to the Honourable Member in due course.

#### INADEQUACY OF MUHAMMADAN REPRESENTATION IN GOVERNMENT SERVICE IN AJMER-MERWARA.

940. **\*Mr. Mahmood Schamnad Sahib Bahadur :** (a) Has the attention of the Government been drawn to an article in the *Muslim Outlook* of Lahore, dated the 16th August 1925, drawing attention to the utter inadequacy of Muslim representation in the Government service in Ajmer-Merwara?

(b) What steps are the Government going to take to remedy this?

**Sir Denys Bray :** The attention of the Honourable Member is invited to my reply to question No. 18 by Maulvi Muhammad Yakub on the 4th September 1925.

**Lala Duni Chand :** Do the Government know that the only business of this paper is to make communal demands howsoever unreasonable or extravagant they might be and to accentuate communal differences?

**Maulvi Muhammad Yakub :** Are not some other papers in the Punjab like that, for instance, the *Tribune*?

#### ASSISTANT DIRECTOR OF PUBLIC INFORMATION.

941. **\*Mr. Mahmood Schamnad Sahib Bahadur :** When the post of Assistant Director of the Publicity Bureau of the Government of India fell

vacant on the promotion of the permanent incumbent early this summer were any steps taken by the Government to advertise for the post? If not, why not?

**The Honourable Sir Alexander Muddiman :** No : it was decided not to fill the temporary vacancy. The second part of the question does not arise.

**PAY OF THE MINISTERIAL STAFF EMPLOYED IN ATTACHED AND SUBORDINATE OFFICES OF THE GOVERNMENT OF INDIA.**

942. **\*Mr. Mahmood Schamnad Sahib Bahadur :** (a) Are the Government aware that the scales of salary of the ministerial staff employed in the various attached and subordinate offices of the Government of India are not uniform so far as the maximum is concerned?

(b) Are the Government aware that this difference in the maximum scales of pay has caused discontent among the employees?

(c) If so, do the Government propose to take necessary steps to remove this cause of discontent at an early date?

**The Honourable Sir Alexander Muddiman :** (a) Yes.

(b) No.

(c) Does not arise.

**PAY OF THE MINISTERIAL STAFF OF THE ARMY HEADQUARTERS, ETC.**

943. **\*Mr. Mahmood Schamnad Sahib Bahadur :** (a) Are the Government aware that the scales of pay of the ministerial staff of the Army Headquarters offices and other attached and subordinate offices of the Government of India are lower than those of the Secretariat office establishments?

(b) Will the Government be pleased to state in what essential features the work of the ministerial staff employed in the Secretariat offices of the Government of India differs from or is superior to that required of the staff serving in the attached and subordinate offices?

(c) If there is no difference in the nature and quality of the work done in these offices are the Government prepared to appoint a Committee to consider the advisability of equalising their pay?

**The Honourable Sir Alexander Muddiman :** (a) Yes.

(b) As was stated in this House in reply to a similar question on 6th February 1922 it is impossible within the scope of an oral answer to a question to define exactly the different classes of work performed by the officials referred to ; but, generally speaking, it has been consistently held that the duties of the clerks and others in the Government of India Secretariat are more onerous and that a higher standard of work is expected from them than from officials of the same status employed in the attached offices. This is the reason for the differentiation in the scales of pay.

(c) Does not arise.



**Mr. A. Rangaswami Iyengar :** May I know, Sir, whether so far as the selections are concerned, the qualification required for recruits to the Army Headquarters staff are not exactly the same as the qualifications required for other departments of the Secretariat ?

**Mr. E. Burdon :** I think, Sir, I have already answered that question before. The answer is in the affirmative.

**Mr. A. Rangaswami Iyengar :** May I know then, Sir, why men who possess exactly the same qualifications and enter upon their duties in the public service simultaneously should be differentially treated ?

**The Honourable Sir Alexander Muddiman :** Because they do not perform equally onerous duties.

**Mr. A. Rangaswami Iyengar :** I want to know why these people should be chosen to do less onerous duties and the others chosen to do more onerous duties.

**The Honourable Sir Alexander Muddiman :** Because the duties are more onerous.

**Mr. A. Rangaswami Iyengar :** I am asking about the choice, not about the duties.

**The Honourable Sir Alexander Muddiman :** Men are selected, apparently according to my Honourable friend Mr. Burdon, on the same standard of education. The duties in some cases are more onerous and therefore those who perform them get more pay.

**Mr. A. Rangaswami Iyengar :** I want to know how they are sorted out into the less onerous and more onerous.

**The Honourable Sir Alexander Muddiman :** It depends on the nature of the duty.

**Mr. A. Rangaswami Iyengar :** I have again to complain that my question is misunderstood. I am asking what is the duty of one set of people that it should be more onerous than the duties of another set.

**The Honourable Sir Alexander Muddiman :** That is a question I am quite unable to answer. The duties that have to be performed are those of the offices concerned. These are two different offices.

#### GRANT OF HOUSE RENT TO THE MINISTERIAL STAFF OF ARMY HEADQUARTERS AND ATTACHED OFFICES OF THE GOVERNMENT OF INDIA.

944. **\*Mr. Mahmood Schammad Sahib Bahadur :** (a) Is it a fact that the ministerial staffs employed in the Army Headquarters offices and other attached and subordinate offices of the Government of India are denied the advantage of house rent allowance which is given to the ministerial employees of the Secretariat offices ?

(b) Are the Government aware that on account of the high rates of house rent prevailing in Simla the employees of the Government of India offices who do not get the house rent allowance are put to acute financial trouble year after year ?

(c) Are the Government prepared to reconsider the principle, etc., on which house rent is granted to some of its employees only, so as to extend this advantage to all ?

**The Honourable Sir Alexander Muddiman :** (a) I would refer the Honourable Member to paragraph 19 of the Simla Allowances Code, a copy of which will be found in the Library.

(b) Government have received no recent representations to this effect.

(c) The answer is in the negative.

PAY OF THE MINISTERIAL STAFF OF ATTACHED OFFICES OF THE GOVERNMENT OF INDIA.

945. **\*Mr. Mahmood Schamnad Sahib Bahadur :** (a) Is there a ruling of the Secretary of State for India—"That it is highly desirable that the remuneration of all ministerial establishments employed at any particular station whether their salaries fall on the Military, Civil, the Imperial or Provincial Budget, should be pitched either directly or indirectly, by means of allowance, as to give such equality of remuneration for similar labour, as will prevent just cause of discontent " ?

(b) Is this ruling strictly adhered to by the Government of India ? If not, will Government state the reasons ?

**The Honourable Sir Alexander Muddiman :** (a) and (b). The answer is in the affirmative.

\* DEPUTY DIRECTOR OF ARCHAEOLOGY IN INDIA.

946. **\*Mr. Mahmood Schamnad Sahib Bahadur :** (a) Will the Government be pleased to state the names of the gazetted officers of the Archaeological Survey of India according to seniority, giving in the case of each officer the number of contributions on research, as distinct from administrative and conservation reports, made by him to the archaeological literature of India, during the last ten years ?

(b) Is it a fact that in filling the post of the Deputy Director of Archaeology in India (after the death of the late Dr. Spooner) the claims of the next seniormost officer in the Survey, have been overlooked in favour of a junior officer ?

(c) If the answer to the above be in the affirmative will the Government be pleased to state the reasons for this supersession ?

**Mr. J. W. Bhore :** (a) The Honourable Member is referred to pages 30—32 of the annual civil list of the Home, Education, Health and Lands and Legislative Departments, corrected to 1st January 1925. I regret that the remainder of the information asked for is not available.

(b) No.

(c) This is a selection post and seniority is not the deciding factor in making appointments to it.

MUSLIM OFFICERS ON THE DIRECTORATE OF THE RAILWAY BOARD.

947. **\*Mr. Mahmood Schamnad Sahib Bahadur :** (a) Is it a fact that of the three Muslim officers on the Directorate of the Railway Board, two are under orders of reversion to their respective lines and the third also is to be turned out shortly ?

(b) If the answer to the above is in the affirmative will the Government kindly state the reasons which have necessitated this policy of "away with the Muslims" in the Railway Board?

(c) Will the Government kindly state also how many non-Muslim Indian Directors there are now in the Railway Board?

(d) Is it a fact that the newly created post of Deputy Secretary of the Railway Board has also not been given to a Muslim?

**Mr. G. G. Sim :** (a), (b) and (d). The Honourable Member is referred to the reply given to questions Nos. 777 and 778 by Maulvi Muhammad Yakub.

(c) There is one non-Muslim Indian Director.

#### EMPLOYMENT OF MUSLIMS IN THE ENGINEERING DEPARTMENT UNDER THE RAILWAY BOARD.

948. **\*Mr. Mahmood Schamnad Sahib Bahadur :** Will the Government be pleased to state the number of Muslim applicants who applied for posts in the Engineering Department under the Railway Board recently advertised for, the total number of these posts and how many of them were given to Muslims?

**Mr. G. G. Sim :** There were 27 posts. 24 Muslims applied but, of them, only one was considered suitable and he has been offered an appointment.

#### MUSLIMS EMPLOYED IN THE MINISTERIAL ESTABLISHMENTS OF THE RAILWAY BOARD.

949. **\*Mr. Mahmood Schamnad Sahib Bahadur :** (a) Is it a fact that in order to give effect to a substantial cut made by the Legislative Assembly in the Railway Budget, the Railway Board decided to reduce 17 clerks from its office establishments, and of these 5 are Muslims, thus maintaining the one-third proportion for the Muslims when it is a question of reduction?

(b) What is the total number of Muslims in the ministerial establishments of the Railway Board as against Hindus and Christians respectively and what is the total sum of emoluments drawn by Muslim clerks, assistants and superintendents as against Hindus and Christians respectively?

**Mr. G. G. Sim :** (a) Yes, 17 posts are held in abeyance. Of these, 2 were held by Muslims both of whom have been provided with other appointments under Government.

(b) There are 18 Muslims in the ministerial establishment of the Railway Board, as against 85 Hindus and 30 Christians, the total sums of emoluments drawn being approximately :

	Rs.		
Muslims .. ..	..	..	43,000 per annum.
Hindus .. ..	..	..	2,33,000 per annum.
Christians .. ..	..	..	1,41,000 per annum.

**APPOINTMENT OF MUSLIMS IN THE DEPARTMENT OF EDUCATION, HEALTH AND LANDS.**

950. **\*Mr. Mahmood Schamnad Sahib Bahadur :** (a) Is it a fact that out of 13 appointments made to the ministerial staff of the Education Department Secretariat during the last 18 months, only two appointments were given to Muslims, and out of the 11 non-Muslim clerks appointed, two are not even qualified according to the requirements of the Staff Selection Board ?

(b) Why were the standing orders of the Government of India ignored in this case ?

(c) In view of this state of affairs, are the Government prepared to give effect to their declared policy of properly safeguarding the interests of the minority communities ?

**Mr. J. W. Bhore :** (a) The Honourable Member is referred to the reply given by me to Maulvi Muhammad Yaquub's question No. 780 on the 7th September 1925.

(b) The standing orders have not been ignored in any case as appointments have been made from candidates approved by the Staff Selection Board or with the approval of the Board.

(c) The policy of securing adequate representation of minority communities has been carefully observed in the Education, Health and Lands Department.

**NUMBER OF MUSLIM, HINDU AND CHRISTIAN SUPERINTENDENTS AND ASSISTANTS IN THE GOVERNMENT OF INDIA SECRETARIAT AND ATTACHED OFFICES.**

951. **\*Mr. Mahmood Schamnad Sahib Bahadur :** Will the Government be pleased to state the number of Muslim, Hindu and Christian superintendents and assistants respectively in all the Secretariat and attached offices of the Government of India ?

**The Honourable Sir Alexander Muddiman :** A copy of a statement which was prepared last Session giving the required information so far as the Secretariat is concerned, is being forwarded to the Honourable Member. Information in regard to attached offices is not readily available, but as I have already stated in reply to previous questions the whole question is under consideration.

**TRANSFER OF ATTACHED AND SUBORDINATE OFFICES OF THE GOVERNMENT OF INDIA TO DELHI.**

952. **\*Mr. Mahmood Schamnad Sahib Bahadur :** (a) Has the attention of the Government been drawn to a statement on page 7 of the daily *Muslim Outlook* of Lahore, dated 16th July 1925 from its Simla correspondent, that the question of locating the attached offices of the Government of India in Delhi, from the year 1926, is under the consideration of the Government of India now ?

(b) If the above statement is correct, will the Government be pleased to state whether it is contemplated to transfer all the attached and subordinate offices, if not, which of them will be so transferred ?

**The Honourable Sir Alexander Muddiman :** (a) and (b). The statement referred to is incorrect.

#### PROTECTION OF THE SUGAR INDUSTRY AGAINST FOREIGN COMPETITION.

953. \***Maulvi Mohammed Shafee :** 1. Has the attention of the Government been drawn to the sale quotations of foreign sugar for the last five months ?

2. (a) Has the Government taken pains to inquire into the reasons for this fall in the prices of foreign sugar ?

(b) If so, would the Government be pleased to make an exhaustive statement on the subject and to lay on the table the papers in this connection ?

3. Are not the present day quotations of foreign sugar less than the cost of production and manufacture as estimated by the Indian Sugar Committee, 1920, if the protection and toll duties are deducted from the quotations in reference ?

4. Have the Government considered the question as to whether the present state of the market requires that the sugar industry in India be further protected by the Government of India against foreign competition ?

**The Honourable Sir Charles Innes :** (1) Yes.

(2). (a) and (b). The Honourable Member is referred to the concluding paragraph of the Review of the Sugar Trade published as a Special Supplement to the *Indian Trade Journal* for January 1st, 1925, which gives a correct indication of the trend of the market and the reasons causing it.

(3) The Government are not exactly aware of what figures the Honourable Member has in mind, but it is a matter of common knowledge that costs of production of practically all commodities are everywhere below what they were in 1920.

(4) The Government have no reason to suppose that the sugar industry requires protection. I would point out that the specific duty imposed upon sugar last March is on present prices nearly 40 per cent. *ad valorem*.

**Lala Duni Chand :** Is the policy of the Government in any way responsible for the extraordinary fluctuations of the sugar market ?

**The Honourable Sir Charles Innes :** No, Sir.

#### SPEECH OF THE SECRETARY OF STATE FOR INDIA REGARDING THE MEDICAL SERVICES.

954. \***Dr. K. G. Lohokare :** (a) With reference to started question No. 364, will Government be pleased to say if they will publish the authentic report of the speech by the Right Honourable the Secretary of State for India regarding the Medical Services, and clear up the points (in the speech) given in the question, immediately they hear from the Secretary of State ?

(b) Will they as well remind the Right Honourable the Secretary of State and urge for an early reply in the matter ?

**Mr. J. W. Bhore :** (a) The Honourable Member is referred to pages 555—557 of the Parliamentary debates of the House of Lords for Wednesday the 29th July 1925, a copy of which has been placed in the Library of the House. Government do not consider it necessary to publish the Secretary of State's statement separately as copies of official reports of Parliamentary debates are for sale and easily obtainable. Nor do they think that any elucidation of his Lordship's statement is called for. If, however, the Honourable Member feels a doubt in regard to any point I shall be most happy to assist him in any way I can.

(b) Does not arise.

**PROPORTION OF ADMINISTRATIVE POSTS HELD BY R. A. M. C. AND I. M. S. OFFICERS.**

955. **Dr. K. G. Lohokare :** With reference to starred question No. 463 and the supplementary question to it will Government be pleased to say :

- (a) if the proportion of the medical administrative posts held by the R. A. M. C. and the I. M. S. officers represents the ratio of British troops in India to Indian units of the Army ?
- (b) if a proportionately less number of such appointments are held by the I. M. S. officers whether the Government have given consideration to this disadvantage to the medical organisation of the Indian Army ?
- (c) what is the number of R. A. M. C. officers in India over and above the usual sanctioned strength for each unit of infantry, artillery and such other units ? If the number is in excess, by how many is it so and when will it be normal ?

**Mr. E. Burdon :** (a) The answer is in the negative.

(b) As stated on the 26th August last in reply to the Honourable Member's question No. 463, the administrative medical appointments in India are equally divided between the Royal Army Medical Corps and the Indian Medical Service and the Government of India are of the opinion that the medical organisation of the Indian Army is in no way placed at a disadvantage in consequence.

(c) There is no excess of Royal Army Medical Corps officers in India over the sanctioned strength.

**APPOINTMENTS OF I. M. S. OFFICERS TO HOLD CHARGES OF ADMINISTRATIVE DISTRICTS WHERE BRITISH TROOPS AND R. A. M. C. OFFICERS ARE LOCATED.**

956. **\*Dr. K. G. Lohokare :** Will Government be pleased to say if any I. M. S. officer is appointed to hold charge of an administrative district or unit, where British troops and R. A. M. C. officers are located ? If not, why not ?

**Mr. E. Burdon :** The answer to the first part of the question is in the affirmative. The second part does not, therefore, arise.

**EXTENSION OF SERVICE IN INDIA TO R. A. M. C. OFFICERS.**

957. **\*Dr. K. G. Lohokare :** Will Government be pleased to say if R. A. M. C. officers of longer period service are allowed to have extensions of their usual term of duty in India, and if so, whether such practice retains a

larger number of long period service R. A. M. C. officers in India in proportion to the usual strength of Corps, and if this creates claims of such officers to administrative medical posts over the I. M. S. officers ?

**Mr. E. Burdon :** Officers of the Royal Army Medical Corps are allowed to have extensions of their normal tour of duty in India but very few avail themselves of this privilege. The practice, however, does not create claims for administrative medical posts over the heads of officers of the Indian Medical Service.

#### R. A. M. C. AND I. M. S., OFFICERS.

958. **\*Dr. K. G. Lohokare :** Will Government be pleased to give information as per following table ?

Service or Corps.	Total permanent strength.	Number of officers with service in years.					Army Administrative officers with service in years.				
		below 15	15—18	18 to 21	21 to 25	25—30 and above.	15—18	18—21	21—25	25—28	28 and above.
R. A. M. C. in India.	..	..	..	..	..	..	..	..	..	..	..
I. M. S. ..	..	..	..	..	..	..	..	..	..	..	..

**Mr. E. Burdon :** The Honourable Member can obtain this information, if he requires it, from the current edition of the Indian Army List, pages 955 to 1009.

**Dr. K. G. Lohokare :** Does the publication referred to by the Honourable Member give my reply in a tabular form in this way ?

**Mr. E. Burdon :** No, Sir.

**Dr. K. G. Lohokare :** Does the Honourable Member expect me to work it out ?

**Mr. E. Burdon :** Yes, Sir.

**Dr. K. G. Lohokare :** With all the staff at his command ?

#### ENCOURAGEMENT OF INDIAN ARTS AND CRAFTS.

959. **\*Mr. B. Das :** (a) Has the attention of the Government been drawn to the article in *Bombay Chronicle* of 25th August regarding the threatened future of Indian arts ?

(b) Have Government any other schemes before them for consideration besides that of the Prize of Delhi Committee ?

(c) Is it a fact that the Government of Bombay submitted a scheme to the Government of India as early as 1922 ?

(d) If the reply be in the affirmative will Government be pleased to place a copy of the same on the table and inform the House if the same was considered along with that drafted by Sir Edwin Lutyens ?

(e) Will the Government be pleased to place a copy of the draft of Sir Edwin Lutyens on Indian arts on the table ?

FRAMING OF A SCHEME FOR INDIAN ARTS AND CRAFTS BY THE ARCHITECTS OF THE NEW CAPITAL.

960. **\*Mr. B. Das :** (a) Will Government be pleased to state (i) which Provincial Governments (ii) what public bodies, were consulted by them so far on the Prize of Delhi Scheme and will Government be pleased to publish these views in the Gazette of India for public opinion and criticism ?

(b) Will Government be pleased to lay on the table Resolution No. 189 of the New Capital Committee which empowered the architects of the New Capital to frame a scheme for Indian arts and crafts ?

(c) Have Government formulated their views on "initial conception with regard to sister arts and crafts" referred to in Mr. Baker's memorandum on craftsmen ?

MURAL DECORATIONS FOR BUILDINGS IN THE NEW CAPITAL.

961. **\*Mr. B. Das :** (a) Will Government be pleased to state how far the contract with the architects of the New Capital affects the question of decorations of the New Capital and how far the architects have a controlling voice over the same ?

(b) How far have Government committed themselves in regard to mural and similar decorations for the New Capital ?

ENCOURAGEMENT OF INDIAN ARTS AND CRAFTS.

962. **\*Mr. B. Das :** (a) Have the Government of Bombay recently addressed the Government of India on the subject of the encouragement of Indian arts and crafts ?

(b) What are their present proposals ?

FRAMING OF A SCHEME FOR INDIAN ARTS AND CRAFTS BY THE ARCHITECTS OF THE NEW CAPITAL.

963. **\*Mr. B. Das :** Have Government approved of the scheme, in part or whole, submitted by the architects of the New Capital on Indian arts and crafts ?

**The Honourable Sir Bhupendra Nath Mitra :** With your permission, Sir, I propose to answer questions Nos. 959 to 963 together.

The Honourable Member's attention is invited to the replies given to Mr. Joshi's questions Nos. 876 to 881 on the same subject. I have only to add that certain suggestions for the establishment of a Central Art



School at Delhi are being considered by Government and that as Government have at present no intention of taking any further action on the scheme formulated by the architects of New Delhi, they do not consider that any useful purpose would be served by placing a copy of the scheme on the table.

#### ESTABLISHMENT OF A RATES TRIBUNAL.

964. **\*Mr. K. C. Neogy :** (a) Has the attention of Government been drawn to a letter appearing in a recent issue of *Capital* (Calcutta) over the signature of David S. Erulkar, on the question of a Railway Rates Tribunal for India ?

(b) Is it a fact that, as stated therein, Government have empowered the Railways on the East Coast of India to infringe the minima class rates in certain cases, so as to enable the Railways to meet competition by sea and canal routes ?

(c) Will Government be pleased to state on what Railways, and from and to what stations, rates have been allowed to be reduced below the minima; and for what reasons ?

**The Honourable Sir Charles Innes :** (a) and (b). The reply is in the affirmative.

(c) The permission to go below the ordinary minimum rates in certain cases on the Bengal Nagpur Railway between Waltair and Calcutta and on the Madras and Southern Mahratta Railway, between Madras and Vizagapatam was granted over 20 years ago. An inquiry is now being instituted into the justification for continuing to allow the railways to exercise this power of quoting specially reduced rates on these routes.

**Mr. K. C. Neogy :** Is it not a fact, Sir, that the latest notification signed by the Secretary of the Railway Board which sanctions the fixation of these extraordinary rates is dated the 23rd December 1921 and is it not a fact also that in that notification it is stated that the Railway Board sanctioned these rates in January 1922 also ?

**The Honourable Sir Charles Innes :** I understand, Sir, that permission was given over twenty years ago, and presumably it has been carried on since then. As I have said, I am making inquiries into the matter.

**Mr. K. C. Neogy :** What are the circumstances in which permission was granted in the first instance ?

**The Honourable Sir Charles Innes :** I do not know.

#### REDUCTIONS IN THE CLERICAL STAFF OF THE RAILWAY BOARD.

965. **\*Pandit Shambhu Dayal Misra :** (a) Will the Government kindly inform this House as to the manner in which the cut of Rs. 77,000 made by the Assembly during the last Delhi Session from the Railway Board's Budget has been met ?

(b) Has the attention of the Government been drawn to an article in the *Hindustan Times* of the 29th August 1925 entitled "Where the axe falls" ? Will Government kindly say what, if any, appointments from the clerical staff of the Railway Board's office have been reduced on this account ?

(c) Will Government kindly state the reasons for effecting retrenchment on one side and creating the post of the Director of Finance on the other? What is the additional expenditure involved by this appointment?

**The Honourable Sir Charles Innes :** (a), (b) and (c). A memorandum explaining the entire position in regard to the reduction in the cost of the Railway Board has been placed before the members of the Standing Finance Committee for Railways. This memorandum will be available to the Honourable Member when the proceedings of the Committee are printed.

# **GRANT OF FREE RAILWAY PASSES AND PRIVILEGE TICKET ORDERS TO THE STAFF OF THE RAILWAY BOARD.**

966. **\*Pandit Shambhu Dayal Misra :** (a) With reference to the reply given in this House to starred question No. 56 on the 4th February 1924 about curtailing the concession of free passes to the staff of the Railway Board, will Government be pleased to state the monetary value of the concessions at present enjoyed by each individual?

(b) How many *privilege ticket orders* at one-third the usual fare are given to each individual during the year? Is the concession enjoyed by the staff of the Railway Board in this shape counted against the monetary value of the free pass concessions? If not, why not? How many persons can travel at a time against one *privilege ticket order*?

(c) Is there any effective check against the prescribed monetary value being exceeded? If so, who checks the figures and what steps are taken to keep them within the limit prescribed, if any?

(d) Will Government be pleased to lay a copy of the orders about the grant of free passages and *privilege ticket orders* to the staff of the Railway Board on the table?

(e) Are all men of the Railway Board governed by the same rules or does the amount of concessions depend on the length of service?

**Mr. G. G. Sim :** (a) to (e). A copy of the rule governing the issue of passes to the office staff of the Railway Board is laid on the table.

# **RULES FOR THE ISSUE OF FREE PASSES TO THE OFFICE STAFF OF THE GOVERNMENT OF INDIA, RAILWAY BOARD.**

I.—No privilege passes can be demanded as a right; their issue is, without exception, subject to the discretion of the Secretary.

II.—The classification "privilege" will be adopted for all passes issued to the office staff and North Western Railway pass forms will be used in all cases.

III.—"Privilege" passes on Companies' and State-worked railways (including the prescribed allowances of servants and luggage for employees or members of their families) may be granted on the undermentioned conditions, to the office staff of the Railway Department, including the Accounts Branch and to such of the staff of the Metallurgical Inspector and of the Superintendent of Local Manufactures, Calcutta, who were in these offices prior to their amalgamation with the Department of Industries and Labour. Passes over Companies' railways will also be subject to the Conference rules for the interchange of free passes:

- (1) After an employee has completed two years continuous service in the Railway Department or partly in another railway office and Railway Department, he may have 4 single journey passes of which not more than 2 may be over Company-worked lines.

- (2) The issue of passes to any one in subject to a money value limit of one month's pay in one year. Anything beyond this will only be permitted in special cases of men over 20 years' service.

*Exception.*—An Accountant in Accountant General, Railways' office transferred from a State Railway—who holds a lien on his post on that railway will be granted passes in accordance with the rules in force on his railway.

IV.—Free passes cannot be granted to employees travelling on duty.

V.—“Family” includes the wife, legitimate children and step-children residing with, and wholly dependent on the applicant. Ordinary privilege passes are admissible to sons, step-sons of an employee when they are under 18 years of age only, and their ages should invariably be given in all applications.

NOTE.—(1) The number of members of an employee's family for whom passes may be issued at one time is limited to six, including the employee himself.

VI.—Passes are inadmissible for any journey for which an applicant draws travelling allowance.

VII.—The class of a pass to which any one will be entitled will be in accordance with the following rules :

- (1) All persons employed in the subordinate establishment, drawing salaries of more than Rs. 750 per mensem—1st Class.
- (2) All persons employed in the subordinate establishment, drawing salaries of more than Rs. 200, and less than Rs. 750 per mensem—2nd Class.
- (3) All persons employed in the subordinate ministerial establishment, drawing salaries of Rs. 200 per mensem and less, intermediate class, or where intermediate accommodation does not exist 2nd class over State Railways only.
- (4) For menials—3rd Class.

For the purpose of coming within rule III (2) an employee may however have a pass in a class lower than that to which he is entitled.

VIII.—The number of servants and allowance of luggage for each class will be as printed on the North Western Railway pass forms.

IX.—Passes by mail trains will not be granted on either State-work or Companies lines, except on the specific sanction of the Secretary which ordinarily only be given to first and second class pass holders irrespective of distance to be travelled and to Inter. and Third class pass holders travelling more than 400 miles.

X.—When passes are issued for the Christmas holidays, the return journey pass will be made available only up to the 5th January of the following year and will, on no account, be extended beyond that date. If an extension is applied for and is granted the extended pass will count as a fresh pass against the next year's allowance.

XI.—Third class privilege passes will not be issued during *melas* and Indian festivals when there is a rush of traffic.

XII.—Permission to break journey, at named stations will be granted, at the rate of one break of journey for every 200 miles or portion thereof on the through journey.

XIII.—School passes may be issued to children of employees under 21 years of age. These passes are subject to the restriction of one return pass per annum. Such passes will only be issued if supported by a certificate from the Head Master of the School in question.

XIV.—A pass may be granted on retirement only for a journey between the place where retirement takes place and where the applicant intends to settle, and provided that the passes are applied for within three months after the date of retirement.

XV.—The family of a deceased employee will be given a pass for themselves, their luggage and a reasonable number of servants, between the place where death occurred and where the family wish to settle down, provided that the pass is applied for within three months of the employee's death.

XVI.—A pass for any divergence from the direct route will be treated as for a separate journey, if granted.

XVII.—Temporary clerks who resign their posts in this office are not entitled to passes of any kind.



**The Honourable Sir Bhupendra Nath Mitra :** (a) It is not possible to say when the process of organization of the Indian Stores Department will be completed, as the final organization must depend to a great extent on developments in store purchasing policy, and practical experience of the growth of the department's work. The question of the final location of the headquarters of the Indian Stores Department cannot therefore be decided at this stage.

(b) Yes ; because, pending the developments just alluded to, it is essential that the Government of India and the principal indenting authorities should be in close touch with the Indian Stores Department.

(c) It is not possible to state what savings if any would result from locating the headquarters of the Indian Stores Department at Delhi until it is known what the final organisation will be.

#### ESTABLISHMENT OFFICER OF THE ARMY DEPARTMENT.

968. \* **Pandit Shambhu Dayal Misra :** Is it a fact that one Major Drysdale, a departmental officer of the Engineer-in-Chief's Branch, was temporarily appointed to the post of Establishment Officer of the Army Department superseding the civilian Assistant Secretaries of the Department ? If so, will Government please state whether the claims of the Assistant Secretaries were considered ? If not, why not ?

**Mr. E. Burdon :** Yes. Major Drysdale was so appointed, but no one was superseded. The claims of the Assistant Secretaries were carefully considered.

#### OFFICERS AND MINISTERIAL STAFF OF THE ARMY HEADQUARTERS.

969. \* **Pandit Shambhu Dayal Misra :** 1. Will Government please state the total strength of (a) officers and (b) ministerial staff employed on the 1st September 1925 in the several Branches of the Army Headquarters including those of the Royal Air Force Headquarters ?

2. How many of the officers are Indians ?

**Mr. E. Burdon :** 1. (a) 177.

(b) 726.

2. Two of the officers are Indians.

#### GRANT OF SECRETARIAT SCALES OF PAY TO THE CLERICAL PERSONNEL OF THE ARMY HEADQUARTERS.

970. \* **Pandit Shambhu Dayal Misra :** (a) Will Government kindly state whether the branches of the Army Headquarters are a part of the Army Department of the Government of India ? If not, what is their status ? Are they attached offices ?

(b) Is it a fact that all cases for the Army Department are prepared on the Secretariat lines by the clerical personnel at Army Headquarters and draft orders giving effect to the decisions of the Government of India are likewise framed by the same personnel ? If so, why are the men employed therein refused the Secretariat scales of pay ?

**Mr. E. Burdon :** (a) Branches of Army Headquarters are a part of the Army Department to the extent described in "The Evolution of the Army in India" a copy of which will be found in the Library.

(b) The duties and responsibilities of the clerical personnel of Army Headquarters are not the same as those assigned to the Secretariat establishments proper. The attention of the Honourable Member is drawn to the answer given by me on the 23rd July 1923 to a similar question asked by Mr. K. C. Neogy.

**PROHIBITION OF THE ENTRY INTO BRITISH INDIA OF THE CHINESE PAMPHLET "GET OUT OF CHINA."**

**971. \*Mr. Chaman Lall :** Will Government state the reasons for the prohibition issued against the entry into India of Chinese journals and leaflets bearing upon the Chinese strikes as well as the leaflet "Get out of China"?

**The Honourable Sir Alexander Muddiman :** This and other similar pamphlets have been prohibited entry into British India under section 19 of the Sea Customs Act, 1878, on the ground that they contain matter which is calculated to excite disaffection towards the Government established by law in British India.

**Mr. Chaman Lall :** May I ask, Sir, if every such leaflet is calculated to bring about disaffection against the Government?

**The Honourable Sir Alexander Muddiman :** No, Sir.

**Mr. Chaman Lall :** Do I understand, Sir, that there are some leaflets which do not affect the question of disaffection?

**The Honourable Sir Alexander Muddiman :** Those leaflets have not been prohibited.

**Mr. Devaki Prasad Sinha :** May I know, Sir, whether it is a fact or not, that some of these leaflets, the entry of which has been prohibited under the Indian Sea Customs Act, contained nothing but a protest against the employment of Indians to quell the recent trouble in China?

**The Honourable Sir Alexander Muddiman :** I cannot answer for all leaflets except for those which have been prohibited, and I have given the reason for it.

**Mr. Chaman Lall :** What is the general principle, Sir, which guides the Government in coming to a decision in these matters?

**The Honourable Sir Alexander Muddiman :** It is the very clear principle which I have embodied in my answer.

**Mr. A. Rangaswami Iyengar :** May I know, Sir, whether before Government concludes that the leaflets are of the character described by the Honourable the Home Member, legal opinion is taken and the law officers are consulted on the point?

**The Honourable Sir Alexander Muddiman :** No, Sir. Not in all cases.

**Mr. A. Rangaswami Iyengar :** Is it possible, Sir, for all those who are affected by these orders to obtain legal opinion?

**The Honourable Sir Alexander Muddiman :** I do not know, but I presume they can obtain legal opinion on the payment of the usual fee.

**Mr. A. Rangaswami Iyengar :** May I know, Sir, whether when they obtain legal opinion, they have any right to get those orders rescinded ?

**The Honourable Sir Alexander Muddiman :** If any representations are made to me, I will consider them.

**Mr. A. Rangaswami Iyengar :** Then they have no legal right to get the orders rescinded ?

**The Honourable Sir Alexander Muddiman :** Certainly not.

**Mr. A. Rangaswami Iyengar :** Therefore, a man can be condemned unheard in respect of these leaflets ?

**The Honourable Sir Alexander Muddiman :** I do not understand what is meant by condemnation. All that has been done is to prohibit importation. I think perhaps I might make the point clear in respect of these leaflets. They were not many, one or two. They were imported apparently on a preconceived plan in a large quantity.

**Mr. A. Rangaswami Iyengar :** Does the mere importation in numbers necessarily mean that the leaflets were seditious and were likely to cause disaffection ?

**The Honourable Sir Alexander Muddiman :** When Government have taken the view that a leaflet is calculated to excite disaffection towards the Government established in British India, the quantity becomes of some importance. Government think that leaflets of that character should not be disseminated in large quantities, and I do not know whether the Honourable Member would wish me to allow it.

**Diwan Bahadur M. Ramachandra Rao :** May I ask the Honourable Member whether this leaflet has been placed before the Advisory Committee attached to his Department ?

**The Honourable Sir Alexander Muddiman :** No, it was not.

**Diwan Bahadur M. Ramachandra Rao :** May I ask why this was not done ?

**The Honourable Sir Alexander Muddiman :** I gave the reason for it the other day.

**Mr. Devaki Prasad Sinha :** Does the Honourable Member himself decide if the entry of these leaflets into this country is undesirable, or is there some other officer subordinate to him who decides this question ?

**The Honourable Sir Alexander Muddiman :** All orders in regard to these matters are passed subject to my personal control.

**Mr. Chaman Lall :** May I know, Sir, if the Honourable Member has read any of these leaflets ?

**The Honourable Sir Alexander Muddiman :** Yes, Sir.

**Mr. Chaman Lall :** May I know, Sir, if he has read all of these leaflets which have been prohibited ?

**The Honourable Sir Alexander Muddiman :** I have read the leaflets which have been prohibited.

**Mr. N. M. Joshi :** May I know, Sir, whether there is any means of getting justice for people who are treated unjustly in this matter ?

**The Honourable Sir Alexander Muddiman :** If people are treated unjustly, they can make representations to me.

**Mr. A. Rangaswami Iyengar :** You are the authority to say whether you are just or unjust ?

**The Honourable Sir Alexander Muddiman :** In this matter the Governor General in Council is the authority and I am the head of the Department concerned.

**Mr. Chaman Lall :** One more supplementary question, Sir ? Does the disaffection against Government consist in this, that these people object to the use of Indian troops against Chinese workers ? Is that the reason for the prohibition of these leaflets ?

**The Honourable Sir Alexander Muddiman :** No, Sir.

#### INTRODUCTION OF NEW STEEL MANUFACTURING PLANTS INTO INDIA SINCE THE PASSAGE OF THE STEEL PROTECTION ACT.

972. **\*Mr. Chaman Lall :** Will Government state the number of new steel manufacturing plants which have been introduced into India from abroad and the companies introducing these since the passing of the Steel Protection Act ?

**The Honourable Sir Charles Innes :** As far as Government are aware the only new steel works established in British India since June 1924 is the transference from Pondichery to British India of certain works engaged in re-smelting and re-rolling scrap steel.

**Mr. Chaman Lall :** Is the Honourable Member aware that very large steel plants are being transferred from the United Kingdom to India ?

**The Honourable Sir Charles Innes :** No, Sir.

**Mr. Chaman Lall :** Will the Honourable Member make inquiries ?

**The Honourable Sir Charles Innes :** If the Honourable Member will give me his authority for his statement outside, I should be very happy to discuss this matter with him.

#### RECRUITMENT OF LASCARS TO ACT AS STRIKE BREAKERS.

973. **\*Mr. Chaman Lall :** (a) Will Government state whether any lascars have been sent to South Africa to act as strike breakers and the names of the shipping companies responsible for this recruitment ?

(b) Will Government state the terms and conditions of such recruitment ?

**The Honourable Sir Charles Innes :** The Honourable Member's attention is invited to the answers given to short notice questions on the same subject asked by Mr. A. Rangaswami Iyengar and Mr. N. M. Joshi on the 10th September 1925.

#### EUROPEAN STAFF OF THE IMPERIAL BANK OF INDIA.

974. **\*Mr. Jamnadas M. Mehta :** 1. What was the total European staff of the three Presidency Banks before the amalgamation and what were the salaries drawn by them ?



2. (a) How many Europeans have been imported since the amalgamation for each circle and in each year ?

(b) On what terms and conditions are these imported ? Are there any educational or other qualifications necessary ? Are they required to pass any examinations either before or after being appointed ? What is the total amount spent in importing these recruits each year ? How many of the new recruits imported from England since 1921 are holding places of agents, superintendents, deputy accountants and chief accountants and what salaries are they drawing ? How many European recruits have been imported since January 1924 till the end of July 1925 ? How many have come since 30th July 1925 ? How many more are coming ?

3. What is the present European staff in the three circles and the total salary drawn by them ?

4. (a) Were any allowances given to the European staff before the amalgamation or at the time of amalgamation ? How many kinds of allowances were allowed to each ?

(b) What was the total amount of allowances paid by the Presidency Banks just before the amalgamation to the European staff ? What was the total amount of allowances paid by the Imperial Bank in the first year of amalgamation and in each of the following years ? What is the total amount paid now ?

5. How many European officers are on furlough and what is the total amount of furlough salary and furlough allowance that the Bank pays each year since amalgamation ?

6. Are free quarters given to the European staff ? Who stays in the Bank chummeries in Bombay and elsewhere ? What amount does the Bank spend each year on these chummeries directly or indirectly ?

7. (a) How many European officers have resigned or retired since amalgamation and on what pensions ?

(b) How many European officers are on the pension list ? What amount has the Bank been paying each year since amalgamation for pensions ?

(c) Is there any privilege rates of surcharge allowed to the European staff in drawing their pay, pension or furlough pay and allowance or in remitting money to England ? If so what is that privilege rate ?

(d) How much money does the Bank lose every year in each circle by granting the privilege rate to the European staff ?

#### INDIAN STAFF OF THE IMPERIAL BANK OF INDIA.

975. \*Mr. Jamnadas M. Mehta : 1. How many Indian officers were there in the Presidency Banks before the amalgamation and what salaries were they getting ?

2. (a) How many Indian officers were taken each year in each circle after the amalgamation and on what salary ?

(b) What is the present total number of Indian officers in the three circles and what salary each draws ?

(c) How many of them are superintendents, managers, agents, deputy chief accountants, chief accountants, second grade Indian assistants and probationary Indian assistants ?

3. What is the total amount of salaries drawn by the Indian staff in the different circles according to the following table :

- (1) Staff appointments carrying salaries above Rs. 1,000 (excluding all allowances) and how many such appointments are held by Indians.
- (2) How many officers are there who get between 500 and 1,000 in each circle.
- (3) How many between 250 and 500.
- (4) How many between 150 and 250. How many of them are clerks and how many probationary assistants.
- (5) How many between 125 and 175 (not included in above).
- (6) How many between 75 and 125 ?

4. Were there any allowances paid to the Indian staff before or at the time of amalgamation ? What and how many kinds of allowances are paid to the Indian staff in each circle and in each year since amalgamation ?

5. Are the Indian officers given any house allowances ? Are they allowed to stay in and utilise the privileges of the chummery ? How many Indians are staying in the Bank's chummery ?

6. What is the total number of second grade assistants and probationary Indian assistants taken in each year in the different circles for the last four years and on what salaries and grades ? What are the qualifications if any, that these second grade and probationary assistants should possess ? Are they required to pass any examination before or after they are selected ? What is the nature of the work that second grade and probationary Indian assistants are doing ? Is there any difference made between Indian assistants and European assistants in (a) salary (b) allowance (c) work (d) treatment (e) leave (f) furlough and (g) pension ?

7. What is the nature of the work that the European staff in general and the new European recruits in particular are doing ? Cannot the same work be done by Indian graduates ?

8. How many probationary Indian assistants were taken in the three circles since January 1924 up to the 30th July 1925 and what are their educational qualifications ? Are they selected purely on the basis of merit or any other considerations ?

9. How many of the probationary Indian assistants taken so far are trained for the places of agents, deputy chief accountants, chief accountants and deputy secretary and treasurer ? How many of them are now holding any other above-mentioned appointments ?

10. How many years does it generally take for an Indian graduate, probationary assistant or otherwise, to become chief accountant or deputy secretary and treasurer ?

## APPOINTMENT OF GRADUATES IN THE IMPERIAL BANK OF INDIA.

976. **\*Mr. Jamnadas M. Mehta :** (1) How many graduates have joined the bank since amalgamation in each circle? How many of them are B.A., B.Com., and M.A.? What is the total strength of such graduates in the Bank in all the circles at present? How many of them are permanent and what salary are they drawing? Is there any difference made between graduates and a non-graduate in salary, work, promotion and treatment? What is the total amount of salary that is drawn by all the graduates in the three circles?

(2) How many graduates are confirmed in the first year of their joining, how many within eighteen months and how many within two years? How many graduates have left the Bank each year?

(3) What steps have been taken or opportunities given to the graduate employees of the Bank to train them up for higher appointments? Are the graduate employees given any preference in selections to Indian assistant grade?

(4) Is it true that the graduate employees at the Bombay Head Office have sent in a representation to the Secretary and Treasurer to give them facilities for higher appointments and to introduce a better scale of pay for them? What steps have been taken to satisfy their grievances?

(5) Is there any system of leave rules for the benefit of the Indian staff? Is it a fact that the Indian Staff Associations, Calcutta and Bombay, have sent in representations to the authorities to introduce a sound system of leave rules? What has been done with regard to it? Is there going to be any system of leave rules at all? If so when?

## FRAUDS IN THE IMPERIAL BANK OF INDIA.

977. **\*Mr. Jamnadas M. Mehta :** (a) Has the attention of the Finance Member been drawn to Ditcher's comments in the *Capital* of 19th March 1925? Will the Finance Member be pleased to state if it is true that the frauds in the Imperial Bank of India are due to rapid Indianization?

(b) How many frauds occurred and to what extent and where did they take place or were they detected? When did they take place or for what length of time were they perpetrated? Is it before or after the amalgamation? Who were Chief Accountants, Deputy Chief Accountants, Superintendents, Managers and Agents in places where and when frauds took place or were found out? What positions are they holding now in the Bank?

**The Honourable Sir Basil Blackett :** I am afraid I must answer these questions Nos. 974—77, together. I have seen the article referred to in 977 (a). The details of the arrangements of the staff of the Bank are not within the knowledge of the Governor General in Council.

**Mr. Jamnadas M. Mehta :** Is this the answer to all the questions, Sir?

**Mr. President :** If the Honourable Member is not satisfied with the answer given, he has his remedy in other ways.

**Mr. Jamnadas M. Mehta :** My only remedy is to move an adjournment of the House.

**Mr. President :** Order, order. This is not the time for it.

**Mr. Jamnadas M. Mehta :** If this is the answer to all the four questions, then I have nothing more to say.

**Mr. R. K. Shanmukham Chetty :** Will Government be pleased to call for information in regard to these matters ?

**The Honourable Sir Basil Blackett :** I think the House must be under some misapprehension. The Government of India are not responsible for the staffing of the Imperial Bank, and it is not part of the arrangement that they should be responsible.

**Mr. Jamnadas M. Mehta :** But the people of India deposit more than 20 crores in the Imperial Bank ?

**The Honourable Sir Basil Blackett :** The people of India also deposit in other Banks.

**Mr. Jamnadas M. Mehta :** But the people of India deposit money in the Imperial Bank through the Government ?

**Mr. A. Rangaswami Iyengar :** May I know, Sir, whether under the Imperial Bank Act this Government do not possess power to call for information in cases in which they have reasonable grounds for taking action ?

**The Honourable Sir Basil Blackett :** I do not think there is any reasonable ground for taking action in this matter.

**Mr. Jamnadas M. Mehta :** The staff of the Imperial Bank is doing work for insurance companies and others.....?

**The Honourable Sir Basil Blackett :** The Honourable Member, Sir, is raising an entirely separate question which, as he knows, is being seriously considered by the Bank authorities.

**Mr. Chaman Lall :** Will the Honourable Member say whether the Imperial Bank is a purely private concern, and whether the Government of India and the people have no voice in the management of the Bank ?

**The Honourable Sir Basil Blackett :** If the Honourable Member will put down a question on paper, I will try to answer it.

**Mr. A. Rangaswami Iyengar :** May I know, Sir, exactly what the powers of the Government of India are in regard to the management of the Imperial Bank of India ?

**The Honourable Sir Basil Blackett :** I give the same answer to that, Sir. I shall be glad to answer that question at leisure.

#### COMPLAINTS IN THE PUBLIC PRESS REGARDING THE ARMY CANTEN BOARD.

978. **\*Khan Bahadur W. M. Hussanally :** Has the attention of Government been drawn to the various complaints in the public Press especially in the *Pioneer* and the *Civil and Military Gazette* to the effect that the Army Canteen Board has been a failure ? If so, do they intend to revert to the contract system ? If so, when ? If not, why ?

**Mr. E. Burdon :** I can only reply to this question by inviting the attention of the Honourable Member to the reply which I gave on the 7th instant to his starred questions Nos. 685—687.

**Mr. President :** I understand Mr. Yusuf Imam wants to put the questions which stand in his name, Nos. 915—920. Although he was not present at the time his name was called, I would allow him to put his questions, but I want to lay it down as a rule for the future that, if any Honourable Member is not present when his name is called, he will not be entitled to put the questions on his return. It is very inconvenient both for the Chair and for the Honourable Member who has to answer the questions.

(The Honourable Member then put questions Nos. 915 to 920, which together with their answers will be found in their proper place.)

**TOTAL AMOUNT OF GOVERNMENT LOAN CONVERTED UNDER THE CONVERSION TERMS RECENTLY OFFERED BY GOVERNMENT, ETC.**

**Sir Purshotamdas Thakurdas :** Sir, I have given private notice of the following question to the Finance Member :

(a) Will Government be pleased to state the result of the total amount of Government loan converted under the conversion terms offered by the Government this year ?

(b) Will Government be pleased to state the extra premium paid under the conversion terms, and the saving effected by them in interest, if any ?

**The Honourable Sir Basil Blackett :** (a) The conversion loan was open till the 12th September 1925 inclusive and the following figures show the approximate results. There will probably be some few corrections when the final figures are received.

	Rs. Lakhs.	
(1) Conversions into 5% Ten Year Bonds .. ..	..	4.63
(2) Conversions into 5% Tax free loan (1945—55) ..	..	25.21
<b>Total</b>		<b>29.84</b>

The bonds converted consisted of :

(1) 5½% Bonds 1925 .. .. .	1.66
(2) 6% Bonds 1926 .. .. .	17.56
(3) 6% Bonds 1927 .. .. .	7.32
(4) 5½% Bonds 1928 .. .. .	3.30

(b) The extra cash payments paid in respect of the above conversions amount to Rs. 79 lakhs. Leaving out of account the fact that premiums on maturity amounting to approximately Rs. 21½ lakhs in respect of 1925 and 1928 Bonds will not now have to be paid, the annual saving on interest on the bonds converted amounts to approximately Rs. 27½ lakhs. In addition Rs. 4.63 lakhs of our debt having become

subject to income-tax instead of being tax free, we are potentially entitled to collect income-tax amounting to about Rs. 2 lakhs per annum on interest on this debt. I think the House will agree that this is a very satisfactory result.

## UNSTARRED QUESTIONS AND ANSWERS.

### OPINIONS OF SIR JOHN KERR AND SIR WILLIAM REID ON THE SUBJECT OF THE TRANSFER OF SYLHET TO BENGAL.

189. **Mr. Kamini Kumar Chanda** : Is there any other recorded opinion of Sir John Kerr or of Sir William Reid besides the papers published regarding the proposal to transfer Sylhet to Bengal? If so, will the Government publish the same or lay it on the table?

**The Honourable Sir Alexander Muddiman** : The reply is in the negative.

### DEFICIT DISTRICTS IN BENGAL AND ASSAM.

190. **Mr. Kamini Kumar Chanda** : Will the Government ascertain from the Government of Assam if there is any District in deficit besides Sylhet, for instance the Khasia Hills containing Shillong and other Hill Districts? And will they similarly ascertain from Bengal if there is any District in deficit therein?

**The Honourable Sir Alexander Muddiman** : The information is not available and Government do not consider it would be sufficiently available to justify the labour involved in its collection.

## MESSAGE FROM THE COUNCIL OF STATE.

**Secretary of the Assembly** : Sir, the following Message has been received from the Secretary of the Council of State :

"I am directed to inform you that the Council of State have, at their meeting held on the 14th September, 1925, agreed without any amendments to the following Bills which have been passed by the Legislative Assembly :

A Bill to amend the law with respect to the carriage of goods by sea,

A Bill to amend the Provident Funds Act, 1925,

A Bill further to amend the Opium Act, 1857."

## REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF 1923-24.

**The Honourable Sir Basil Blackett** (Finance Member) : Sir, I lay on the table the Report of the Public Accounts Committee.

### Report of the Public Accounts Committee on the Accounts of 1923-24.

#### I.—INTRODUCTORY.

1. This report deals with the accounts of the year 1923-24. This was the third year after the introduction of the Reforms as a result of which certain

items of expenditure became subject to the vote of the Assembly, and the accounts with regard to these passed under the scrutiny of a Committee of the Assembly.

2. It is, moreover, the first year in which some of the results of such a scrutiny can be observed. The first Public Accounts Committee presented its report in July 1923, and the Government of India published its views on matters raised in this report in their resolution of 15th January 1924. In this resolution they accepted most of the recommendations of the Committee, the most important of which related to the abandoning of the previous practice of basing the final grants for the year on the revised estimates of expenditure prepared by the Finance Department in order to arrive at an approximate idea of the total results of the year's working over all the heads of expenditure. In the course of our scrutiny of the accounts, we came across some cases which suggested that all the changes made were not fully known, or were insufficiently realised in the year 1923-24. The orders of the Government were issued too late to have any marked effect on the expenditure of the year 1923-24, as they naturally took some time to filter through to subordinate authorities. We have no doubt that the appropriation accounts of the next year will show that the adoption of the Committee's recommendations have resulted in a marked improvement.

## II.—EXCESSES OVER VOTED GRANTS.

3. The following table compares the amount of grants voted by the Assembly with the total expenditure out of those grants :

	GRANTS SANCTIONED BY THE ASSEMBLY.		Net grant as modified by competent authority.	Actual expenditure.
	Original.	Final (including supplementaries).		
	Rs.	Rs.	Rs.	Rs.
Expenditure charged to revenue.	88,95,87,000	90,94,77,000	90,39,06,671	87,27,34,930*
Expenditure charged to Capital.	41,49,69,000	41,49,69,000	41,23,37,000	23,03,27,755
Total expenditure ..	1,30,45,56,000	1,32,44,46,000	1,31,62,43,671	1,10,30,62,685
Disbursement of loans and advances.	23,62,37,000	23,67,67,000	23,67,67,000	21,95,88,592
GRAND TOTAL ..	1,54,07,93,000	1,56,12,13,000	1,55,30,10,671	1,32,26,51,277

\* This includes some non-voted expenditure (*vide* paragraph 12 *supra*.)

Excluding loans and advances, the actual total voted expenditure was thus nearly 20 crores below the original grants and nearly 22 crores below the final grants sanctioned by the Assembly.

4. If the total voted and non-voted expenditure is taken, the position is as follows :

	Original estimate.	Revised estimate.	Actual expenditure.
	Ra.	Ra.	Ra.
Revenue expenditure ..	2,08,60,36,000	2,09,94,12,763	2,05,77,25,842
Capital expenditure ..	41,55,47,000	41,29,75,000	23,10,06,788
Loans and Advances ..	23,62,37,000	23,67,67,000	21,95,86,592
<b>TOTAL ..</b>	<b>2,73,78,20,000</b>	<b>2,74,91,54,763</b>	<b>2,50,83,21,222</b>

5. It will be seen that the expenditure varied to a very considerable extent from the estimates, but the latter could not have been expected to be very accurate, as the report of the Inchcape Committee was in the hands of the Finance Department, too late to be utilised in the preparation of the detailed estimates. It was obviously a difficult problem to fit the proposals of the Committee into the Budget. Final conclusions could not be arrived at with regard to a great many recommendations. Some of the retrenchments could only be introduced gradually and it was difficult to estimate exactly their full effect on the estimates of the year. The Government had accordingly to adopt the rough and ready method of making a lump reduction in the total estimates and distributing it among the more important heads. Taking all things into consideration the result cannot be deemed unsatisfactory. That the economies actually effected were much more than were anticipated is, indeed, a matter for congratulation.

6. The detailed figures of expenditure are given in the Statement printed as Appendix III to this Report. It will be noticed that there is not, comparatively speaking, much difference between the total of the non-voted actual expenditure and the corresponding sanctioned grants, the former being about a crore less than the latter. This result, however, obscures the fact that Army expenditure was nearly 4 crores below the final grant and  $3\frac{3}{4}$  crores below the original grant. This large saving was more than counterbalanced by two changes in accounting as a result of which the whole of the discount charges on the 1923-Rupce Loan were charged off in the year, and the amounts of Loans and Advances outstanding against the Persian Government, which had hitherto been shown in the accounts under "Suspense" were written off against revenue in 1923-24.

7. The voted expenditure, on the other hand, diverges widely from the sanctioned grant and it is instructive to compare in more detail the actual



figures of expenditure with the original grant. So far as revenue expenditure is concerned, the actual expenditure is 87.27 lakhs against an original grant of 88.96 lakhs, which was later raised by the Assembly about the close of the year to 90.95 lakhs. Of the saving of over 3½ crores as compared with the final grant, 2 crores occurs under revenue expenditure of Railways. The balance is the cumulative effect of a number of relatively small savings occurring under most of the individual grants, the largest single items being under "Superannuation allowances and pensions" and "Interest on miscellaneous obligations". The former was due to a decision taken in the course of the year to transfer expenditure on pensions of commercial departments to those departments and is not a real saving; the latter was mainly due to the fact that the encashment of postal cash certificates was much less than anticipated, with the result that the bonus paid, which is debited to "Interest" at the time of encashment, was very much lower.

8. The total capital expenditure proved to be nearly 23 crores against a grant of 41½ crores, a saving of 18½ crores, of which nearly 18 crores was under "Railways," the balance being distributed between Delhi and Posts and Telegraphs, the former being responsible for much the greater portion. The large saving under the grant for Railways was undoubtedly due to the fact that the original estimates of expenditure were too high. The Financial

Commissioner, Railways, whom we examined on this point, explained to us that the real

reason for the enormous lapse both under the capital grant and the grant for revenue expenditure in connection with railway construction was due to the fact that under the old system the Railway authorities were never certain of the amount of money they were going to get and consequently could never make proper arrangements for spending. They naturally made provision for proceeding with works that they had started or were starting during the course of the year under any contingency that might arise, so that each railway asked for the maximum amount that it could spend, and the result was that, taken all together, the estimates proved always to be too high and there was every year a considerable lapse. Mr. Sim explained that during the current year he had cut down the total amount of the capital grant from 33 crores, which the railways in the aggregate hoped to spend, to 23 crores, as he expected that that was the limit of their capacity for spending. We do not desire to suggest that arbitrary limits should be fixed which would tend to curtail capital expenditure on railways, so long as the expenditure is remunerative, but in view of the large lapses in capital grants in this and the preceding years, we think that consideration should be given to possible improvements in methods of estimating.

9. The total expenditure under the head "Disbursements of loans and advances" amounted to 21.96 lakhs against the final grant of 23.68 lakhs. The saving is explained as entirely due to the fact that the Provincial Governments borrowed less from the Government of India than had been anticipated originally.

10. There have been, however, excesses under individual grants for which an excess vote of the Assembly is required. These excesses have been detailed

in Statement B forming an enclosure to the Auditor General's letter No. 852. Admn. 44/25 of the 24th June 1925 dealing with the Appropriation Reports on the Accounts of the Central civil expenditure for 1923-24. This Statement (reprinted as Appendix XVII to this report) compares the actual expenditure with the net grants including modifications sanctioned by authorities other than the Legislative Assembly. This is quite proper from the point of view of audit which has to bring to notice all cases of expenditure in excess of the grants placed at the disposal of the actual disbursing agents by the competent authority ; but so far as the Assembly is concerned, it is only the excess over grants sanctioned by itself that matters. In certain cases modifications sanctioned by proper authority have had the effect of reducing the total grant at the disposal of the disbursing officer. Where the actual expenditure exceeded this latter figure, but was below the grant as finally sanctioned by the Assembly, the excess does not require the sanction of the Assembly though it should be dealt with by departmental action if no sufficient explanation is forthcoming. This was the procedure recommended in paragraph 18 of the Report of the Public Accounts Committee on the Accounts of 1921-22, on which was based the new system adopted by Government of separating the supplementary demands placed before the Assembly from the revised estimates of expenditure adopted by them.

11. We give below a table detailing the excesses which, in our opinion, as explained above, require the sanction of the Legislative Assembly.

## EXCESS OVER GRANTS.

Item No.	No. of grant.	Grant.	Amount granted by Assembly.	Actual expenditure.	Excess.
			Rs.	Rs.	Rs.
1	15-A	Administration of Justice ..	1,35,000	1,35,654	654
2	16	Jails and Convict Settlements ..	2,000	5,070	3,070
3	31	Civil Veterinary Services ..	6,11,000	6,14,319	3,319
4	36-B	Emigration—External ..	62,000	69,882	7,882
5	45	Adjustments with Provincial Governments.	19,06,000	37,97,921	18,91,921
6	46	Refunds (including refund of freight tax Rs. 3,94,304)	7,95,000	11,76,059	3,81,059
7	62	Interest free advances ..	9,18,99,000	9,23,44,006	4,45,006
					27,32,911

[Sir Basil Blackett.]

12. A brief explanation of each item is given below :

*Item 1.*—The excess was due to an accounts adjustment which had to be made after the close of the year when it was too late to obtain a supplementary grant. This is explained as having been due

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to defective work in the accounts office owing to an auditor's lack of familiarity with rules.

*Item 2.*—The grant under this head represents merely 'Exchange' on leave salaries, etc., paid in England. The original grant proved insufficient, but no attempt was made to obtain an additional grant. It has been explained that this was due to the fact that when the revised estimates for English expenditure were placed before the Assembly for sanction, the consequential alterations

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under the head "Exchange" were not made, as they ought to have been. Under the

system then in force, 'Exchange' was included in every separate head in the Demands for Grants and doubtless to carry out alterations under each head involved considerable labour which was apparently at the time felt to be not worth while. We understand that, under the present system, the procedure would be simpler, and we have been assured that necessary alterations of

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'Exchange' to correspond with the revised estimate of English expenditure would be

made in future.

*Item 3.*—This excess seems to have been due to the fact that it was not quite clear whether any additional grant was necessary or whether the particular expenditure that eventually caused the excess could be met by savings under other heads, and apparently time was spent in discussing what should be

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done till it was too late to take any effective action.

*Item 4.*—The excess was due to the charges for repatriation of certain Punjabis from Marseilles to British India having been adjusted in the accounts without any steps being taken to provide a grant for the purpose. The failure to make the necessary provision was, we understand, due to a misunderstanding between the local Accountant General and the Government of India. The Accountant General made provision for it in the revised estimates but did not give a detailed explanation of the charge. As the system of basing the final grants on revised estimates had been abandoned that year on the advice of the Public Accounts Committee, the Finance Department did not take any action to get a grant for this purpose in the absence of a specific application for it from the proper authority, especially as there was no detailed information justifying the necessity for a grant.

*Item 5.*—The excess has been explained as due mainly to the revision of Rule 15 of the Devolution Rules which resulted in a change in the basis of

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calculations of the assignments to Provincial Governments on account of income-tax. The

actual amounts due could not be ascertained till after the close of the year.

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The total expenditure was Rs. 37,97,921, while the amount sanctioned by the Assembly

was only Rs. 19,06,000. To this latter sum the Finance Department added Rs. 3,446 from their reserve. The excess as compared with the original grant was thus Rs. 18,91,921. For reasons which we shall elaborate later, we consider that the whole of this amount requires the sanction of the Assembly, though part of it was met from the reserve placed by the Assembly at the disposal of the Finance Department.

*Item 6.*—No provision seems to have been made for refunds of freight tax. The excess has not even been brought to notice in any of the Appropriation Reports and it is the Auditor General who in his compilation of the accounts apparently first noticed the omission to obtain a grant. The tax ceased to be collected in 1922-23, and these casual refunds are apparently likely to be overlooked. Even though it is difficult to estimate the amount of such refunds and provide funds for them in the beginning of the year, it ought to be possible to obtain a supplementary grant at the close, on the basis of payments actually made.

*Item 7.*—This increase occurred under the sub-head, value of Army stores issued on repayment, an estimate of which is difficult to make as it depends on the demands for such stores made by departments. The sub-head represents a purely book-keeping adjustment and it is understood that under the instructions of the Auditor General it is for this reason now being treated as non-voted.

13. There are two items in the Statement of Excesses over voted grants furnished by the Auditor General, which do not find place in the above statement, namely, "Irrigation Works not charged to revenue" and "Civil Works". As regards the former the total expenditure was well within the grant sanctioned by the Assembly, though it exceeded the grant as modified by other authorities. Consequently, as we have already explained, it does not require the sanction of the Assembly. As regards the excess under "Civil Works" the total expenditure of Rs. 1,27,01,975 included a sum of Rs. 19,64,882 which, it has been explained, ought to have been charged as non-voted expenditure. We have been advised that, as the excess of expenditure is due solely to incorrect inclusion by the accounts officer of non-voted expenditure, and as there has been no excess of voted expenditure over the amount voted,

it is not only unnecessary but irregular to make an excess demand under Rule 49 of the Legislative Rules.

14. We are glad to note that both the number of Demands under which an excess vote is required and the total amount of excesses requiring such sanction, have gradually decreased from the time the accounts first came under the review of the Public Accounts Committee. In the first year (Accounts of 1921-22) there were 26 such items aggregating 493 lakhs; in the next year (Accounts of 1922-23) there were 24 items aggregating 93½ lakhs; in the Accounts of 1923-24 there are only 7 items with a total of slightly over 27 lakhs. We hope for further reductions as we are of opinion that with a well regulated system of control over expenditure there ought not to be any excesses at all. We shall return to the general question of control over expenditure at a later stage of our report.

[Sir Basil Blackett.]

15. With these remarks we formally recommend that the Assembly assent to an excess grant for the year 1923-24 which the Governor General in Council will place before them in due course for the following sums in respect of the heads referred to in paragraph 11.

		Rs.
Expenditure charged to revenue .. ..	.. ..	22,87,905
Disbursement of Loans and advances .. ..	.. ..	4,45,006
		<hr/>
Total .. ..	.. ..	27,32,911
		<hr/>

16. Under Section 52 (2) (i) of the Indian Legislative Rules it is our duty to bring to the notice of the Assembly any re-appropriation from one grant to another. Such re-appropriations occurred in 1923-24 only under the Posts and Telegraphs grants. A statement of re-appropriations sanctioned by the Government of India from Grant No. 60 (capital outlay) to grant No. 10 (Revenue Expenditure) has been given in the Appropriation Report of the Accountant General, Posts and Telegraphs and will be found reprinted as Appendix XVIII to this Report. The Public Accounts Committee last year emphasised the fact that grants voted by the Assembly could be added to only by the Assembly and that any transfers to a grant from another or from a non-voted head were invalid unless voted by the Assembly. The Government of India accepted this statement of the constitutional and legal position, but apparently there were misunderstandings on this point in 1923-24. In the particular case in question there were savings within Grant No. 10 sufficient

Questions 57 & 58.

to cover these amounts and these re-appropriations were inoperative and unnecessary.

Mr. Jukes explained to us how a misunderstanding arose in connection with these powers. We suggest that the Government of India should make it quite clear to all subordinate officers, beyond the possibility of misunderstanding, that additions to a grant voted by the Assembly can be made only by the Assembly.

### III.—GENERAL.

17. Our predecessors devoted particular attention to the very important question of the machinery available for watching the progress of expenditure and of the steps taken by the administrative authorities to control expenditure. We have similarly devoted considerable attention to this subject and have examined departmental witnesses on the position in each department and the conclusion we have arrived at is that there is still very much room for improvement. We were gratified, however, to find that, since the question was first taken up by the Public Accounts Committee, it has been carefully examined, its importance has been recognised, experiments are being conducted to find out the best methods of tackling it, and, in certain cases, steps have already been taken to obtain periodical reports of expenditure from subordinate officers.

18. At the outset we wish to draw attention to a remark of the Auditor General in his letter forwarding the Indian Appropriation Reports of

Central and Provincial expenditure for the year 1923-24 to the Secretary of State, that in most provinces the proportion of excesses over grants was greater in the case of non-voted than of voted grants. From this he draws the inference that the submission of expenditure to the control of the Legislature ensures better financial control and he adds that the majority of Governments appear to attach little importance to the necessity of a formal provision of funds to meet excesses over non-voted expenditure. In the accounts of the year under review it will be observed that the number of non-voted grants in which excesses have occurred is 16 as against 7 voted grants. The Auditor General has also drawn attention to the fact that an excess occurred in the case of both non-voted grants (revenue and capital) in the case of railways and he remarks that this gives rise to the impression that Government regards provision of funds under non-voted heads to meet an excess as of minor importance. So far as this particular remark was concerned, we examined the Financial Commissioner for Railways and he explained

Question 854.

that the excess in the non-voted grants for Railways was mainly due to the fact that the rate of interest chargeable could not be calculated till after the close of the year. At the time of the preparation of the budget estimates the rate of interest calculated for the previous year had to be taken into account and the actual rate that would be taken in the accounts could not be foreseen. We desire to draw the attention of the Government to these remarks of the Auditor General in order that they may take effective steps to ensure that all disbursing officers appreciate fully the necessity of obtaining the sanction of the Government in the case of non-voted expenditure whenever they foresee that actual expenditure is likely to exceed the sanctioned grant, just as in the case of voted expenditure they have to take steps to obtain the sanction of the Legislative Assembly.

19. In the course of our scrutiny of the Appropriation Accounts for the year 1923-24 one of the facts which attracted our attention most prominently was that of the 33 cases in which additional grants were asked for from the Legislative Assembly during the year, there were no fewer than 17 where the actual expenditure was below the original grant sanctioned by the Assembly before the beginning of the year. The following gives a list of the grants where the expenditure fell below the original grant while an additional grant was sanctioned by the Assembly at the end of the year :

Grant.	Additional grant sanctioned.	Saving as compared with original grant.
	Rs.	Rs.
1. Customs .. .. .	3,03,000	46,738
2. Taxes on Income .. .. .	5,23,000	76,171
3. Irrigation, Navigation, etc. .. .. .	27,000	56,060
4. Interest on miscellaneous obligations .. .. .	63,000	20,36,516
5. General Administration .. .. .	5,11,000	1,42,069
6. Ports and Pilotage .. .. .	17,000	30,084
7. Geological Survey .. .. .	17,000	15,216

[Sir Basil Blackett.]

Grant.	Additional grant sanctioned.	Saving as compared with original grant.
8. Miscellaneous Departments .. .. .	1,80,000	1,17,914
9. Superannuation Allowances and Pensions .. .. .	15,47,000	12,43,182
10. Miscellaneous .. .. .	2,29,000	4,21,276
11. North-West Frontier Province .. .. .	32,000	5,28,040
12. Baluchistan .. .. .	58,000	1,00,912
13. Delhi .. .. .	88,000	94,188
14. Coorg .. .. .	19,000	2,25,353
15. Ajmer-Merwara .. .. .	35,000	1,40,793
16. Rajputana .. .. .	17,000	3,166
17. Central India .. .. .	14,000	34,001

The fact that additional grants were asked for in these cases seems to indicate that whereas the administrative authorities concerned were fully alive to the necessity of obtaining a grant in anticipation of expenditure to be incurred they were not equally alive to the desirability of not asking for more funds than were actually necessary. It shows also that they were not in a position to know the actual progress of expenditure so as to gauge accurately the needs of the situation.

20. We recognise that in circumstances where it is proposed to incur expenditure on new and important items not contemplated when the original estimates were framed, it may become desirable to obtain the formal approval of the Assembly in some way or other as well as that of the Standing Finance Committee as at present. When however these new charges can be met within the grant by savings elsewhere, we suggest that a possible method of bringing them to the notice of the Assembly would be by means of a token vote as in the United Kingdom, by which a demand would be laid before the House for a nominal sum. Full details of the proposed expenditure would be given to the House, and it would be explained that the whole sum would be met from within the grant already sanctioned, but the House would be asked formally for an additional grant for a nominal sum of, say, Rs. 100 in order that it may be enabled to signify its approval.

21. Facts are not also wanting which seem to suggest that there is still in some quarters an insufficient realisation of the necessity for taking steps to have funds provided by proper authority before expenditure can be incurred. In the Appropriation Reports we came across statements like the following:

“The excess was foreseen and the local officer addressed Government on the subject which decided to leave this unavoidable excess expenditure to be dealt with through the Appropriation Report” (page 87 of the Appropriation Report of the Accountant General, Central Revenues).

"The excess for which no provision was made in the budget was brought to the notice of the Government of India, Foreign and Political Department, which authorised the payment as one without appropriation" (page 81, *ibid*).

"The excess under the head was foreseen but the Commissioner, Salt who was addressed on the subject, explains that as refunds are adjusted by deduction from Receipts no supplementary grant was applied for as it was not known to him that refunds also required appropriation" (page 161, *ibid*).

22. Again, owing to the change of system in the year 1923-24 which involved the abolition of the old procedure by which the revised estimates were taken as a basis for supplementary grants, there was some room for misunderstanding between the Accountants General

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and the administrative authorities in the matter of responsibility for taking steps to obtain funds for expenditure. To this cause was due the failure to provide funds in certain cases, for example, under Interest and Superannuation Allowances. The failure to alter the provision for exchange correspondingly with the alteration in the figures for expenditure in England which were corrected at the time of the revised estimates, also points to an imperfect understanding of the desirability of taking steps, by the proper utilisation of the powers of reappropriation that are at present exercised by the executive, to see that the expenditure under each minor head is not exceeded.

23. All these point to the necessity of devising adequate machinery to provide data for watching the progress of expenditure against each grant. We understand that a set of draft rules to assist in watching the progress of expenditure against grants was submitted by

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India last year for consideration and that the opinions of all Departments have been obtained on these rules which are at present under reconsideration by the Auditor General. It seems that a similar set of rules have been in force in the United Provinces and in the Punjab for some time and that it has been considered desirable to await a report on the results of their working in those provinces before proceeding further with them. Moreover, fairly extensive experiments of another system have been made in the United Provinces and elsewhere by Mr. Jukes during the past year in the course of his investigation of the question of the separation of accounts from audit whereby the administrative authorities are in a position to get information about the state of expenditure much earlier than they can under the present system. We attach great importance to the provision of adequate facilities to the responsible administrative authorities for watching the progress of expenditure under their control and trust that some definite arrangements which will achieve this object will be promulgated in the near future.

24. In the meanwhile we understand from the evidence taken by us that certain Departments do obtain at present from their subordinate officers periodical statements of expenditure. In the North-West Frontier Province, Mr. Copeland told us, the disbursing officer sends in monthly statements and the head of the department watches the expenditure month by month and a consolidated

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statement is sent to the Accountant General in order that the two sets of figures may be reconciled. He expected that this system would be a great improvement and ought to be working well in 1925-26 at the least. Mr. Lloyd

told us that the Central Board of Revenue had asked the heads of departments to send

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them a quarterly statement giving details of expenditure under the principal units of appropriation. We consider that if these statements of expenditure are to be utilised properly, they should be sent periodically, by the responsible heads of Departments to the Department at headquarters which, by asking the Assembly to vote the original grant, has assumed final responsibility for watching the expenditure. If this system is adopted, these reports, we consider, might be furnished quarterly in the earlier part of the year but in the latter part it would be essential to have them monthly, so that the actual progress of expenditure can be watched with the object of seeing whether an additional grant is necessary in any case or whether excesses in any particular circle of accounts or in any particular sub-head can be covered by reappropriation from savings elsewhere in the same grant.

25. A careful watch over expenditure is also useful in this respect that it will at once bring to the notice of the controlling authority all cases in which there is any particular slackness in expenditure or where expenditure is being incurred at a too rapid pace irrespective of prudent financial considerations. It will in short enable him to regulate the pace of expenditure, so that he can utilise the funds at his disposal in the most useful and economical way. Several instances have been brought to our notice where funds have been allotted far too late to be properly utilised. Such delay in allotment of funds combined with a strict adherence to the doctrine of unspent amounts lapsing at the end of the year, results in undue haste in spending at the close of the year with all its concomitant evils.

26. The question of the powers of reappropriation to be exercised by the Government of India and the subordinate authorities within a grant is closely connected with the question of the control of expenditure. We have noticed that in certain cases these powers are utilised merely to conceal defective budgeting; for instance, in certain minor heads in the Posts and Telegraphs grant, we found that reappropriations had been sanctioned before the end of the first month of the financial year. In the new form of Appropriation Accounts in which all variations of the actual expenditure from the original grant under a certain number of prescribed sub-heads will be specifically brought to notice, it will be easy to discover whether the action taken by the responsible authorities for regularising these excesses by reappropriations from other sub-heads within the grant conforms to the rules prescribed by the Finance Department and whether there is any necessity for suggesting any change in those rules.

27. Before passing from this subject there is another matter to which we should draw attention, namely, the number of misclassifications that have come to our notice in the Appropriation Reports. One class of misclassification is that of showing non-voted expenditure as voted and *vice versa*. In one case, as we have already stated, the misclassification resulted in the total actual ex-

penditure being shown as exceeding the grant sanctioned by the Assembly, while, as a matter of fact, there was no excess. In paragraph 10 of the Report of the Public Accounts Committee on the accounts of 1922-23 the importance of a proper classification of charges in the accounts was emphasised. In the particular case which brought the matter prominently to our notice, it is apparent that the expenditure has been classified wrongly in the Finance and Revenue Accounts presented to Parliament on the authority of the Auditor General. This raises the question of the steps that should be taken to have this obvious error in the accounts corrected. The Auditor General was unable to give us a definite opinion on the matter at the time. We consider, however, that it is very important that the accounts should always represent facts and when it is brought to notice that in any particular case they have failed to do so, there should be a procedure by which they may be corrected. We suggest that the Finance Department should, in consultation with the Auditor General, explore the means of doing so.

28. The misclassification referred to above was in connection with expenditure in the North-West Frontier Province and gives point to the remark of the Auditor-General that misclassifications in the office of the Accountant-General, Punjab, seemed more serious in respect of expenditure in that province than in the case of the Punjab. He suggested that this must be largely due to the complete lack of touch between the Accounts Office and the Administration, and emphasised the need for a separate accounts office at Peshawar for the North-West Frontier Province. We understand that this proposal

Question 504. was considered in 1921 and dropped on grounds of financial stringency. We recom-

mend that the suggestion made now by the Auditor-General should receive the immediate and careful consideration of the Government.

29. There is another class of misclassifications which attracted our attention in the Appropriation Report on Railways. This was in respect of capital and revenue expenditure, expenditure correctly debitable to the first being debited to the second and *vice versa*. We understand that the misclassification was sometimes due to ignorance of rules but sometimes it was also due to a desire to get round the difficulty of want of funds. As all railways have now been

Questions 869 and 1105. told that there would be no difficulty in their getting funds according to require-

ments and that there is no necessity for adopting this undesirable device to avoid the difficulties experienced before, it is expected that misclassifications will be of less frequent occurrence in future.

30. One of the most important and interesting questions that we discussed was that of the proper procedure to be followed in the case of allotments made by the Finance Department from the reserve at its disposal. In paragraph

#### Appendix I.

14 of their Resolution in connection with the Report of the last Public Accounts Committee the Government of India pointed out that under the present system whereby the Assembly voted under the head "Miscellaneous" a reserve placed at the disposal of the Finance Department, any reappropriations from the reserve had the effect of adding to some other grant to which the expenditure was rightly debitable and that this was an exception to the general rule that grants voted by

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the Assembly could be added to only by the Assembly. The Resolution went on to say that this exception was more apparent than real as the reserve was intended for the purpose of distribution and allotments out of the reserve were brought to notice by the Accountant General in his Appropriation Report, thus giving the Public Accounts Committee an opportunity of criticism. We consider, however, that though, in practice, the procedure is hardly open to objection, yet from the constitutional and legal point of view it is, strictly speaking, irregular. We are more inclined to agree with the view put forward

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by Mr. McWatters that in all cases where the expenditure exceeds the amount granted by the Assembly, though the excess is covered by allotment of funds from the reserve, steps should be taken to obtain a grant from the Assembly to cover the excess. The only objection against this procedure is that the result will be that the Assembly will have in certain cases granted money twice over for the same purpose, as, we understand, constitutionally the Assembly cannot reduce a grant once made. The practical effect will of course be *nil*, for under the ordinary procedure any amount left unexpended from the reserve will automatically lapse at the end of the year.

31. The objection that the Assembly should not grant funds for the same purpose under two different heads has, however, some force, and a way of meeting it would perhaps be to treat the reserve somewhat on the lines of the Civil Contingencies Fund in England. We quote below from Hilton Young's System of National Finance a brief description\* of the Fund :

"In the course of the year the Civil departments often find that the rigid system on which their grants are appropriated confronts them with one or other of several difficulties. Either there is an urgent need that they should begin to provide money for some established service for which Parliament has not yet voted anything, or some wholly new and urgent little service turns up to be performed, for which Parliament has made no provision, or it becomes urgently necessary to overspend to a small extent the total Vote for a grant, and no excess has been received by way of appropriations in aid out of which, with the help of a Supplementary Estimate, to meet the overspending. Multifarious small payments have also to be made which are not appropriate to any Vote and are individually too small to be voted separately. Sooner or later Parliamentary authority must be obtained for all these small payments, and for any departure which emergency obliges departments to make from the scheme of appropriation, but meanwhile, what is to be done ? To provide for such cases the Treasury keeps a nest egg in the form of a little loan-fund out of which it can make temporary advances to the Civil departments, and this is the Civil Contingencies Fund. It has a fixed capital which has been raised from time to time as the turnover of the Civil departments has increased. In 1913 it stood at £ 300,000, and in 1921 it was permanently increased to £ 1,500,000. A very large temporary increase in the

\*For a more detailed account, see Appendix XXII.

capital of the Fund, to no less than £ 120,000,000, had been allowed in 1919, in order to enable it to finance through their last stages the big trading services which had been undertaken by the State during the war. (The vote of Credit, out of which these were formerly financed, came to an end with the war.) Out of the capital the Treasury makes advances to the Civil Departments in anticipation of the grants of Parliament, when there is urgent need that payment for an established service should be begun before a grant is made. Advances of the sort are repaid to the Fund by the department when it gets its grant. Other advances are made to departments out of the Fund to meet payments for small services for which Parliament has made no provision in the estimates of the year, and which cannot possibly be postponed until the next year. Others again are made to provide funds for such small overspendings of grants as the Treasury may agree to be inevitable. These last two forms of advances are repaid to the Fund out of grants of Parliament made specially for the purpose on Supplementary Estimates or Excess Grants. Thus the capital of the Fund is restored and maintained intact from year to year. At the financial year's end it is outstanding in the form of a balance in the hands of the Paymaster General, and it is carried forward into the new year to the account of the Fund. Owing to the wide powers of transfer between Naval and Air Votes, and the Heads of the Army Vote, the Admiralty and War Office and Air Ministry need no special machinery of the sort to enable them to deal with their similar emergencies. An annual account of the Fund is audited by the Auditor General and presented to Parliament through the Public Accounts Committee. The Committee watches with some jealousy to see that the Treasury does not make use of the Fund to release the departments to any substantial extent from the limitations of the scheme of appropriation."

32. This Fund is utilised to make advances :

- (i) for unforeseen expenditure not coming under any head of estimate (such advances being repaid to the Fund from the Vote for Repayments to the Civil Contingencies Fund of the following year);
- (ii) for deficiencies on ordinary votes (in anticipation of a further vote from which the advance can be repaid);
- (iii) for services repayable from other sources.

Similarly we consider that it might be laid down in India that no expenditure will be finally met from the reserve but that the Government will advance from it sums to cover any expenditure which has not been provided for or to meet anticipated deficiencies in any grant, on the understanding that such disbursements will be later recouped from moneys provided by the Assembly under the proper head of account. This would result in the fund being always kept at the original figure but if it is to take the place of the Civil Contingencies Fund in England, it would probably be necessary for the reserve to be somewhat larger than it is at present. On the other

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hand, it will not have to be voted every year but will be voted once for all. We are unable at present to offer a definite opinion on the exact procedure to be followed in these cases, particularly as it has a legal aspect which will require very careful consideration. We trust that the Government of India will consider these suggestions and evolve some procedure which will be entirely unobjectionable both from a theoretical and a practical standpoint.

33. We noticed that in the accounts of the year under review, most of the allotments made from the fund were, as a matter of fact, unnecessary, because it was found later that even excluding these allotments, there was enough money within the grant sanctioned by the Assembly to meet the expenditure charged against it. The only exception is in the case of Grant No. 45—"Adjustments of Provincial Governments", but in this case the allotment out of the reserve did not save the grant from being exceeded considerably. A suggestion was put forward before us by Mr. Jukes that there need be no specific reappropriation from the reserve in the earlier part of the year but that funds should be earmarked from it as a sort of guarantee that the expenditure would, if sufficient funds were not available from the grant itself, be met from the reserve, actual transfer being made only at the close of the year when it was reasonably certain that the grant under the proper head was not sufficient to meet the charge. We discussed this point at length with Mr. McWatters

Questions 311 and 312.

and we agree with him that it is not really much of an improvement, because even in February, the Government are not in a position to know definitely whether money was available from the grant itself or whether a definite allotment from the reserve was necessary. He pointed out that the net result would be that there would probably be less expenditure from the reserve but that less information would be laid before the Public Accounts Committee. We do not therefore think that this would be an improvement on the present system, under which the Government are under the necessity of allocating funds definitely from the reserve and are consequently precluded from using the same amount many times over for different purposes.

34. The question of making the Appropriation accounts more illuminating was originally raised by the first Public Accounts Committee in 1923 when reporting on the accounts of 1921-22. In the succeeding year the matter was again referred to in the Committee's report and it was stated that the Auditor General had placed an officer on special duty to examine the question and that the officer's report would be available for consideration by the Committee in 1925. This report has been placed before us and we desire to express our appreciation of the care and thoroughness with which the problem has been tackled. The report in question concerns primarily the Appropriation Report prepared by the Accountant-General, Central Revenues in respect of Central expenditure other than in the Army, Railway and Posts and Telegraphs Departments. We are of opinion, however, that the suggestions made in the Report can be applied with very few, if any, alterations, to the Appropriation Reports of expenditure of the three latter classes and we trust that they will be so applied. We have gone carefully into the proposals contained in the report, a brief sketch of which will be found in Appendix IV. The most important

proposals relate to the amalgamation of the two separate reports which are at present placed before us, the Appropriation Report and the Audit Report, into one, all financial irregularities, embezzlements, frauds, etc., which are at present shown in the latter being included under the proper grant in the new amalgamated Report. It is proposed that the present procedure under which Audit officers are prevented from mentioning, without the special sanction of the Government, irregularities, etc., on which final orders of the Government have not yet been passed, shall be abandoned, and the Audit officer will be at liberty to bring to notice in his report any point which he considers worthy of mention. The present procedure has in some cases the effect of bringing irregularities to the notice of the Public Accounts Committee and of the Legislature after a lapse of time so considerable that it is impossible for the Committee either to suggest adequate measures to deal with them, or to express any opinion on steps already taken by the executive authorities which might be applied to those particular cases. It has also been recommended that the Appropriation Account, instead of showing expenditure, as at present, by circles of account, should deal with expenditure by prescribed sub-heads, that the accounts of voted and non-voted charges should be shown together so as to give a better idea of the expenditure on each particular grant as a whole, and that particular attention should be paid to store accounts in respect of important stocks and to suitable trading accounts of *quasi-commercial* concerns. We desire to express our approval of the proposals in general but we prefer to leave the details to be worked out by the Finance Department of the Government of India in consultation with the Auditor General. We trust, however, that it will be possible to give effect to the proposals at a very early date, as we are of opinion that the Appropriation Report in the new form will be much more informative and will more easily enable defects in system and in procedure to be discovered and set right expeditiously.

35. We regret very much that we were unable to deal with the important question which we inherited from our predecessors, whether revenue and expenditure should be shown gross and net in the accounts. It was brought to our notice that there were legal obstacles in the way of a procedure such as our predecessors tentatively recommended, namely that a grant for gross as well as for net expenditure should be obtained from the Assembly in all cases where recoveries of large amounts were involved. We understand that the question is still under consideration in the Legislative Department who have not yet been able to express their final opinion in the matter.

36. As an illustration of the importance and the difficulty of the problem we should like to cite an instance mentioned by the Accountant General, Posts and Telegraphs, in his Appropriation Report. Among the changes in accounts classifications ordered by the Auditor General in the year under review, the detailed head "Contributions from private individuals and Indian States" which was formerly borne under the receipt head "Fees and other receipts" was expunged and the amounts of these contributions are now deducted from relevant expenditure heads, the result being that only the net expenditure incurred on specific services after deduction of these contributions appears in the books.

Questions 154—168.

We were not satisfied that this procedure, which had incidentally the effect

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of removing this particular expenditure from the control of the Assembly, was constitutionally correct. The difficulty can best be appreciated by noticing the important fact that if in any case the recovery of expenditure is not made, the actual amount spent would have to be found from grants voted by the Assembly.

Question 164.

37. Another instance was specifically brought to our notice by the Auditor General where, as explained in the Appropriation Report of the Accountant General, Central Revenues (page 105), the expenditure on account of the Imperial Police Service examination in the United Provinces had been met out of the fees realised from the candidates for admission to the said examination. He added that no budget provision was made in 1923-24 as the charge in question was ordered by the Government of India to be met out of the fees realised from the candidates. The Auditor General pointed out that these orders contravened the general principle that receipts should not be utilised to meet expenditure. We understand that the orders were due to a misunderstanding, the intention of the Government having been to ensure that the fees realised should be sufficient to cover the cost of the examination. We consider it desirable to adhere ordinarily to the general rule quoted by the Auditor General and we understand that the Government of India agree with this view.

38. We notice that the Auditor General has assumed in one of his letters forwarding the Audit Reports, that the Public Accounts Committee is not, under the existing rules, concerned with matters which relate to receipts. This point was further elaborated by Mr. Jukes in replies to questions put by us.

His opinion briefly was that under the statute as it stood at present, the Assembly and consequently the Public Accounts Committee had nothing whatever to do with the estimates of revenue or anything concerned with revenue, all that they were concerned with being the expenditure. We are not quite satisfied that the constitutional position is as stated by the Auditor General and that we as a Committee cannot, unless such questions are specifically put before us by the Finance Department, consider questions of receipts when they come to our notice in scrutinising the Appropriation Reports. We are inclined to doubt whether the fact that estimates of revenue do not come to the Assembly for sanction justifies the view that any serious failures to collect revenue or any defalcations which have the result of reducing the revenue collected are *ipso facto* out of our purview altogether. We suggest that this question should be carefully considered by the Finance Department in consultation with the Legislative Department, if necessary; but meanwhile we have not considered ourselves debarred from making comments wherever necessary on questions arising in connection with receipts. We understand that in the British system losses due to fraud, defalcation, etc., in connection with revenue are brought to the notice of the Public Accounts Committee and Parliament by the device of treating such losses as a form of expenditure requiring to be covered by a vote of Parliament, a corresponding credit being made to the appropriate revenue heads, so that the Revenue figures show all sums received from the public in payment of taxes or dues, even though owing to some irregularity



the money has never actually passed from the officer who received it into the Exchequer. Some adaptation of this system to India would seem to be worthy of consideration.

39. As a matter of fact certain of these questions have come to our notice in the course of our scrutiny of the Reports placed before us. Of these the most important is the question of a proper check on Customs receipts raised by the Auditor General in his letter forwarding the Audit Reports to the Secretary of State. Before we come to this, we should like to dispose of two minor matters that were brought to our notice in the Audit Report of the Accountant General, Central Revenues. The first was a suggestion made by the Accountant General, Bombay, with regard to the desirability of seeing that all receipts on account of Government dues like income-tax should be paid direct into the Imperial Bank. The second was a suggestion made by Mr. Kaula that in order to avoid the risk of defalcations by fees not being transmitted regularly by the collecting officer to the Treasury, fees in respect of minor services rendered by Government, for example, passport fees, should be collected by means of stamps. We trust that both these suggestions will receive the careful consideration of the Government of India.

• 40. The question of an adequate check on Customs receipts is very important and particular attention has been drawn to it by the Auditor General in his letter No. 379-Admn.-588/24 of the 5th March 1925. His remarks on this subject put the point so clearly and forcibly that we make no apology for quoting them in full :

“At present the Customs is the only great Revenue Department in which receipts come under my audit scrutiny. This scrutiny is applied by means of a regular test audit conducted by one of my own officers. Customs dues are now the most important source of the revenues of the Government of India. The rates which were originally low are now in many cases very substantial. The temptation to evade payment is now very great, and it is of vital importance that there shall be a system of internal check which will ensure an intelligent close and efficient scrutiny of the collection of Customs dues. In my opinion the arrangements for, and the system of, internal check in this Department both in respect of executive and of account work are not satisfactory, and I consider that the position of the departmental accounts and audit needs strengthening and the system needs to be modified. Certain suggestions to this end have recently been submitted to the Central Board of Revenue. Recent events have accentuated the urgency of the need for the introduction of remedial measures. Serious irregularities have come to light at all Custom Houses, and in Calcutta frauds have been perpetrated on the revenue which are more serious than any which have occurred in the Department for a generation past. I know of no branch of Government activity in which there is more need for an improvement of the system, and organisation of internal check, than in the Customs Department. The Customs Depart-



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ment has also been chosen as one in which an experiment is being tried in the allied matter of separating accounts from purely audit functions. With this end in view, a Pay and Accounts Officer has been appointed experimentally to one of the principal Custom Houses. If it be decided to retain such an officer permanently, it will be necessary to co-ordinate his activities with the measures necessary for the improvement of the system of internal check, and to modify my organisation for test audit ”.

41. We examined Mr. Lloyd, Member of the Central Board of Revenue, on this question and we understand that the Government are fully aware of the impor-

Questions 460—476. tance of taking all measures necessary to improve the system. We have been assured that steps have been taken to strengthen the superior supervising staff, that the internal check has been improved by an increase in the number of appraisers, and that the internal audit staff has also been added to. It is understood that the question of re-organising the internal audit staff and of strengthening the audit conducted by the Auditor General is also under consideration. We trust that the Government will consider carefully what further measures are necessary in order to put the system of internal check and audit on a satisfactory footing, and we hope that the Auditor General will have a more encouraging state of affairs to report next year.

42. We note with concern the opinion of the Auditor General that the total number of frauds, embezzlements and other serious financial irregularities shows no improvement as compared with the preceding year's report. This comment is made by him in respect of all the Audit Reports on the accounts of Central expenditure, Civil, Military, Railways and Posts and Telegraphs. The Government of India have issued a confidential circular letter impressing upon all concerned that in cases of fraud and embezzlement which came to light disciplinary action should be taken against those found guilty of bad supervision. This letter was issued after the close of the year under scrutiny and we share the hope of the Auditor General that future reports will show that the letter has had some effect. The Director General, Posts

Question 169.

and Telegraphs, informed us in connection with his Department that there had been a

decrease both in the number of officials concerned in frauds and embezzlements and in the total amount involved. We understand also that in the Railway Department improvements in procedure have been introduced and that deterrent punishments have been awarded in several cases which, it is hoped, will lead to a more satisfactory state of affairs in future. Where such large sums are involved as in the Railways and Posts and Telegraphs, it is impossible to hope that frauds will ever entirely cease and the percentage of the amounts involved in these frauds is after all not very large at present. But it is important to scrutinise carefully the facts of each fraud and embezzlement that comes to light in order to see whether any carelessness in supervision or defect of system has led to such fraud or embezzlement. The necessity of keeping a watchful eye on these matters and of making the subordinate staff understand that such a watch is kept cannot be overestimated.

43. In considering the question of the adequacy or otherwise of disciplinary action in cases of frauds or of irregularities where there was no fraudulent intention, we were struck by the fact that at present the general impression seemed to be that, once an officer has retired, the question of taking any disciplinary action for irregularities committed by him while in service should not be considered at all. We recognise that in certain cases it would be hard to call upon an officer long after he has retired to explain particular actions in the course of his service; but we agree with the Auditor General that it is not correct to hold that pensions should in all cases be considered sacrosanct. We are of opinion that the fact that an officer has retired between the date of committing an irregularity and the date of the discovery is not by itself a sufficient justification for not taking any disciplinary action at all in the matter. If sums are lost to the State through his irregular action, fraudulent or otherwise, we can see no obvious reason for not considering whether any part of such sums should be recovered from him in spite of his retirement, or whether any disciplinary action in the matter of reducing his pension or otherwise cannot be taken against him.

44. We turn now to some of the comparatively minor matters of general interest that were noticed by us in going through these Reports. In the first place, we desire to re-emphasise the remarks of the last Committee on the question of the importance of seeing that accounts adjustments do not cause excesses over grants. Certain cases have been brought to our notice in which excesses over a grant or over minor heads of a grant, were caused by accounts adjustments after the close of the year. We trust that the general principles laid down by the Government of India in their Resolution on the last Report will have the desired effect. We also hope that the importance of the administrative and the accounts authorities being in touch with each other will not fail to be recognised.

45. The Auditor General has brought prominently to our notice the question of the provision of lump sums in the estimates and has suggested that on the analogy of the rules for the Provincial Finance Departments, the Central Finance Department also should always refuse to provide in its estimates for any scheme which it has not examined. Two instances were specifically cited

Questions 417—19.

Questions 508—511.

Appendix X.

by the Auditor General, viz: provision for income-tax staff in Bombay and that for the South Waziristan Scouts in the North-West Frontier Province Budget. It has

been explained to us by the officers who gave evidence on these points that these were not really lump sum provisions as full details were available at the time and had been submitted by the subordinate authorities. We understood from Mr. McWatters that the Finance

Question 369.

Department was as a matter of fact steadily

setting its face against lump sum provisions and had actually issued instructions in 1924 formally prescribing that lump sum provisions should be avoided as far as possible except where the necessity for providing for expenditure in advance of the detailed estimates (for example, for commissions of inquiry) could be clearly shown. We agree with the Auditor General's view which, we understand, is fully accepted by the Finance Department

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that a lump sum provision is a thing undesirable in itself and should be resorted to only in really exceptional circumstances.

46. The Accountant General, Posts and Telegraphs, commented in his Appropriation Report on the policy of keeping appointments vacant instead of abolishing them, and of providing for them in the estimates, which, he said, conduced to over-budgeting and all that it involved, and in the second place enabled appointments kept vacant to be filled later on without the knowledge of the proper authority. After careful consideration we have come to the conclusion that it is desirable to lay down a general rule for all Departments that no provision should be made in future in the budgets for any appointments which it has been decided to keep in abeyance. If it is decided to revive those appointments, such action should not ordinarily be taken without the previous approval of the Finance Department.

47. We were much interested in seeing the efforts made of recent years by the Posts and Telegraphs Department and the Railways to reduce their stores balances. The balances at the end of the last four years are given below :

Year.				Posts and Tele- graphs (including Army mobilisa- tion Stores).	Railways.
				Lakhs.	Lakhs.
1921-22	..	..	..	2,58	23,19
1922-23	..	..	..	2,57	22,99
1923-24	..	..	..	2,10	21,58
1924-25	..	..	..	1,38	17,00

We trust that these efforts will continue so as to ensure that the balances are not kept higher than are absolutely necessary by proper control of purchases and by writing off unserviceable stores.

48. Another matter of general importance that deserves to be mentioned in this report is the rather curious arrangement which was brought to light in the Audit Report of the Accountant General, Central Revenues, where the Government sanctioned in 1921-22 the supply of a motor car to an officer with a monthly maintenance allowance, but as no provision was made for the purpose in the estimates, the amount was borrowed from the Municipality which also paid the maintenance allowance and continued to pay it till 1923-24 when the total amount thus disbursed by them was repaid. The Accountant General commented also on the inadequacy of the price realised when the car was sold. This is a matter of

detail and the evidence we received does not fully bear out the view that the price was too low. But from our point of view the serious irregularity was that of borrowing money from the Municipality to meet expenditure properly debitable to Government and of continuing to do so year after year in spite of repeated reminders from the Municipality. We trust this is an isolated case of its kind and that other disbursing officers are better aware of their responsibilities in the matter of obtaining funds for expenditure to be incurred by them under proper sanction. We hope that the Government will express their disapproval of the action taken by the responsible officer in this case.

49. Certain cases have been brought to our notice which suggest to us doubts as to whether the present system by which contracts may be entered into by the Departments of the Government of India and other authorities without the previous sanction of the Finance Department is quite satisfactory. We recognise that it will be impossible to lay down a rule that all contracts entered into by the administrative authorities within their own powers should be subject to the sanction of the Finance Department, but we suggest that the Finance Department should make rules to provide that any contracts containing any unusual conditions should not be entered into without previous consultation with it and that material variations in contracts once entered into should not be made without its sanction.

#### IV.—PARTICULAR ACCOUNTS.

##### *General Administration.*

50. Our attention was drawn by the Auditor General to the large savings under the head "Council of State" and the "Legislative Assembly". The saving under the former was very nearly half the original grant. The explanation given in the Appropriation Report, that the savings were due to the fact that the travelling allowance rules were revised, was clearly inadequate. We understand that the real reason was that the budget was framed on the assumption that the allowances of all members of the Legislature appointed by the Government of India to committees would be debited to the head "Council of State." This procedure has now been given up according to one of the recommendations of the first Public Accounts Committee and the present practice is that expenses of only those committees that are appointed by the Legislature with instructions to report to it, are to be debited to the head "Legislative bodies."

##### *Civil Works.*

51. We suggest that the details of sums allotted by the Public Works Department out of the reserve at its disposal should be given in the Appropriation Account in future and that it should be definitely laid down that allotments from the reserve should not be made except to cover lapses in grants in the previous year and for unforeseen works and that no allotment should be made on account of establishments, etc.

52. The variations in the percentages for establishment and tools and plant from year to year were brought to our notice by the Auditor General who was inclined to attribute the excesses in such cases to defective budgeting. Under

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existing arrangements, variations are inevitable, and apparently it is impossible to frame correct estimates at any rate in the beginning of the year. We understand that

Question 652.

local Governments have been asked whether they would undertake the work of the Central Government for a given period of 3 or 5 years at a definite percentage, but that it is expected that a system of this sort may be more costly in the long run. We are not in a position to express a definite opinion on this latter question, but as regards the preventing of technical excesses over grants caused by the impossibility of ascertaining the percentage it seems to us that it ought to be possible to prevail on local Governments to give us a more approximate estimate of the percentage for the year about the close of it so that steps may be taken to obtain a supplementary grant wherever necessary.

53. The question of devising methods to combat the tendency towards an accelerated rate of expenditure in the concluding months of the year has recently again engaged the attention of the Government of India and they have issued a circular (printed as Appendix XIX) reminding officers of the undesirability of this procedure and pointing out to them that the lapses during the previous year have the first claim upon the reserve at the disposal of the Public Works Department and that consequently there is no necessity for them to incur expenditure hurriedly in order to prevent a lapse of the grant.

#### *Refunds.*

54. We found that the estimates in connection with the grant for refunds had not been prepared carefully; as we have already stated, there were officers who were unaware that non-statutory refunds required appropriation. A great portion of the expenditure under this head is under the control of the Central Board of Revenue and we consider that they should be asked to look more closely into the question of the estimates of refunds, though we recognise that there are difficulties in the way of making proper estimates and that payments cannot be postponed for want of funds. A simple way out of the difficulty might perhaps be to make the refunds in question statutory.

#### *Posts and Telegraphs.*

55. We discussed the question of estimating and control of expenditure in this department with the administrative authorities who frankly admitted that up to now the budgeting had not been particularly good and that the control of expenditure had left much to be desired. We understand that the instructions recently issued by the Director General with regard to the control of expenditure (Appendix XVI) are expected to result in a considerable improvement. We are glad to note that more attention is proposed to be paid to estimating in future, and that a separate branch will be opened in the Director General's office, for the purpose. We are of opinion that there is considerable room for improvement in the system of estimates for capital expenditure. We suggest that only such major works as have been specifically approved on

Questions 54 and 55.

detailed estimates should be included in the budget, which should contain also separate

provision for minor works and a reserve for lapses and unforeseen expenditure.

56. In connection with the results of the working of the Posts and Telegraphs Department for 1923-24, the Accountant General remarked: "While the working expenses are more likely to increase unless there is some drastic modification of policy, there must be a very definite revival of trade before any considerable increase in the earnings from telegrams can be expected."

Question 34.

We have been assured that no drastic modifications of policy are possible, but we understand that the Committee that recently completed its enquiry into the working expenses of the Department has made recommendations affecting the management of the Department which, if accepted, may lead to large savings on the telegraph side. We trust that the necessity

Question 32.

for every effort to secure important economies in working expenses will continue to be borne in mind.

57. The present position of the proposal to transfer control of the Indo-European Telegraph Department to the Government of India was explained to us at some length by Mr. Ryan. We understand that the whole question

Questions 44, 45.

is at present under careful consideration and we trust that the matter will be pressed to a speedy conclusion.

58. In the Appropriation Report of the Accountant General, Posts and Telegraphs we found that a portion of the loss under telegraphic systems was due to the radios, which, though a necessary part of any modern Posts and Telegraphs Department, were working at a loss. We desire to call attention to

Question 82.

Mr. Roy's note on the subject. We suggest that the question of charging fees for services rendered by these offices to other departments and to shipping deserves careful consideration.

59. Our attention was drawn to the importance of the exhibition of stores balances at their correct value in connection with a certain irregularity in the Telegraph Department. The Accountant General reports that orders were issued by the Director General to the Controller of Telegraph Stores to write down certain stores including B Brackets to half their book value by debit to "Unserviceable stores written off" and they were accordingly written down to half their value. There were however insufficient funds under this head, and the Director General decided that the "written down" value should be limited by the funds available during 1923-24. Accordingly the Controller again brought on to stock 154,000 B Brackets at their original value in his store vouchers for March 1924. The Accountant General remarks in this connection that though the spending of money beyond appropriation is a grave irregularity, to show stock at a value it does not possess, is a graver one. When it is known that stocks are valueless it is the duty of the responsible authority to write these stocks down, and to obtain a grant for the purpose. Even where it is not possible to obtain a grant it is a question whether it is not better in the interests of financial rectitude and truthful accounting to exceed the appropriation than to do formal homage to rules of expenditure control. The Auditor General endorses very strongly

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ly this opinion and condemns the action of the Director General which led to the accounts officer making an incorrect presentation of facts. We understand that the Department has accepted the Accountant General's views as to the

Question 20.

irregularity committed in this matter and steps have been taken to prevent the recurrence of such irregularities.

60. We suggest that the question of the proper amount of security to be taken from the Posts and Telegraphs officials should be carefully considered as we are inclined to believe that the present system is defective. Till recently the department apparently did not even see that information was received by the proper authorities of the death or insolvency of sureties.

Questions 178—184.

The Director General explained that he had recently issued a circular requiring periodical certificates regarding the existence and solvency of these sureties, but it appeared that the certificate prescribed was from the official himself. It seems desirable that certificates should be obtained from some other competent authority, for instance, the revenue authorities of the district.

61. We were interested to note that as a result of the investigations of the audit officer on the actual cost of the departmental working of motor mail services at Calcutta, the cost of the service had been reduced considerably. The department, however, still prefers a contract system to departmental working. We are not quite satisfied that there is effective competition in the matter of these contracts in all places, and it is not certain that the rates are not, in some cases, unnecessarily high. The Director General has promised later to put in a memorandum giving a full explanation of the contract at Calcutta. We consider that this matter deserves careful investigation.

### *Railways.*

62. We understand that the result of the economies effected by the Indian Retrenchment Committee in the year 1923-24 as compared with previous years are estimated at 2½ crores per annum, of which nearly a crore of rupees was effected on the Great Indian Peninsula Railway. On this the Auditor General raised the pertinent question that it should be ascertained whether the economies effected on the Great Indian Peninsula Railway did not suggest possibilities of further economies on the railways managed by the State. We examined the Financial Commissioner on this subject but he did not expect that the result of similar steps elsewhere would be of such magnitude, though they were taking action in the direction indicated.

63. We also considered the question of the advisability of making the audit independent of the administration in railways managed by companies under contract. We understand that the Government of India have no power under the contracts to enforce this proposal and that they are therefore of opinion that it is neither possible nor advisable to reopen with the Companies this question. We understand that the Auditor General has found it possible to extend and improve the checking of the accounts carried out by the Government

Appendix V.

Examiners in the case of two Railways. He was not desirous of asking for extra staff at present and was willing to wait for another year and watch results before making any proposal.

Question 958.

64. In paragraph 13 of the Audit Report of the Accountant General, Railways, we came across the following statement :—" During the period of the war, i.e., between the years 1915 and 1919 considerable credits on account of revision of prices of stores were carried to the Railway Revenue working expenses." The position was explained by Mr. Philipe but we wish to draw

Question 1000.

attention to it as it seems to us incorrect to have taken to revenue credits due to the adventitious circumstances of the war, especially when it was pretty certain that after the close of this abnormal period prices would come down and the stores would have to be written down. It was understood that the whole question of the revaluation of stores would soon be considered by the Standing Finance Committee for Railways.

### Army.

65. In perusing the Audit and Appropriation Reports on the Army Accounts for 1923-24 and the Auditor General's observations thereon, we were considerably assisted by the labours of the Departmental Committee\* appointed this year by the Government of India to examine the said reports. It is true, no doubt, that the specific duties imposed on us in scrutinising the Audit and Appropriation Accounts of the Governor General in Council are to satisfy ourselves that the money voted by the Assembly has been spent within the scope of the grants made by the latter and to bring to its notice reappropriations and excesses as well as any other expenditure which the Finance Department may desire to be brought to notice. Nevertheless, the Committee feel it incumbent on them in the exercise of their general powers of dealing with and scrutinising the whole of the Audit and Appropriation Accounts of the Government of India, to offer a few general observations on the Army Accounts for 1923-24, in the hope as expressed by the Departmental Committee that "the publicity given thereby to the observations of the Auditor General and of ourselves within the Army would, as in civil Administration, be salutary.

66. We are glad to note that the question of assimilating the Indian Appropriation Reports to the corresponding British Reports will be taken up by the Financial Adviser, Military Finance, as soon as orders are passed by the Government of India in respect of the assimilation of the Civil Appropriation Reports. Our recommendations on the proposals of the Auditor General in this behalf will apply, *mutatis mutandis*, to the Military Appropriation Reports.

67. Much evidence was taken by the Public Accounts Committee of last year and further departmental discussions appear to have taken place, on the cost-accounting system in force in the Army Department. It is to be hoped that as a result of the labours of the Committee that will shortly inquire into this subject, the whole matter will be placed on a simple and intelligible basis

\*Vide Appendix XXI.



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which while getting rid of the complicated accounts that confuse the layman in following the figures, will provide a real and effective check on the purchase, stocking and consumption of Military stores.

68. We endorse the observations of the Departmental Committee that the large variations in the figures of the Appropriation Accounts of 1923-24, as between the revised estimates and the actuals cannot but be considered as indicating on the whole lack of control of expenditure and that this should be attended to as, in particular, the budget for the next year, is based to a certain extent on the revised estimates of the year and any over-estimating in the latter is reflected in the former. We hope that the improved system now in adoption by the Financial Adviser would lead to minimising the danger of wrong estimation under these heads of expenditure in the budget of the Government of India. We also think that the latitude that has been permitted in regard to the sanction of alterations in grants made by Government and other competent authorities by which additions and modifications budgeted under one head are spent under another, should be no longer permitted and we agree with the Departmental Committee that it should be further investigated with a view to fix further limitations.

69. We do not desire to offer any detailed observations on the individual cases of irregularity noticed by the Auditor General and by the Departmental Committee except to say that they concur in the observations made by them. The Departmental Committee observe that many of the financial irregularities, frauds and losses commented on in their report occurred at a time when the abnormal conditions occurred by the Great War had not wholly passed away and that while such conditions existed it was difficult to enforce high standards, but that at the same time the risk of money being mis-spent or lost is ever present and that the facts disclosed and criticisms made should be brought to the notice of all officers in the Army so as to produce a strong impression on their minds. In this view, the fact that we have felt compelled to endorse these observations—which we trust will be laid before His Excellency the Commander-in-Chief—will, it is hoped, induce His Excellency to take such steps as will place Army Expenditure on the most economic and efficient footing in the interests of the tax-payer.

#### *Home Accounts.*

70. We desire to make special mention of the value of the scrutiny by the Home Auditor of expenditure in England which, we notice, resulted in a saving to Indian revenues during the year of about £120,000 and has, apart from direct savings, led to improvements in procedure.

#### *Conclusion.*

71. We have dealt in the preceding paragraphs with the more important questions that were considered by us in examining the appropriation accounts of the year 1923-24. There are certain other points of minor importance on which our opinions will be found recorded in the minutes of our meetings which, we request, may be considered an integral part of our report.

72. We desire to record our special appreciation of the very able assistance we have received from our Secretary, Mr. P. R. Rau. His experience of the working of the Public Accounts Committee in 1923 and 1924 has made his services in 1925 of exceptional value to us, and he has been unremitting in his zealous discharge of his duties and unfailing in his willing attention to our requirements.

*The 11th September, 1925.*

BASIL P. BLACKETT.

M. YAKUB.

GANGANAND SINHA.

AHMAD ALI KHAN.

K. G. LOHOKARE.

MAURICE WEBB.

N. M. JOSHI.

V. N. MUTALIK.

A. RANGASWAMI IYENGAR.

HARKARAN NATH MISRA.

HUGH G. COCKE.

S. MURTUZA.

#### RESOLUTION *RE* BOUNTY ON STEEL.

**The Honourable Sir Charles Innes** (Commerce Member): Sir, I beg to move:

“ That this Assembly recommends to the Governor General in Council that a bounty should be paid on steel manufactured in India between the 1st of October 1925 and the 31st of March 1927, subject to the following conditions :

- (1) The bounty should be paid only to firms or companies manufacturing, mainly from pig-iron made in India from Indian ores, steel ingots suitable for rolling or forging into any of the kinds of steel articles specified in Part VII of Schedule II to the Indian Tariff Act, 1894.
- (2) The bounty should be paid on steel ingots manufactured by such firms or companies, and the bounty should be paid at the rate of Rs. 12 a ton on 70 per cent. of the total weight of the ingots manufactured in each month.
- (3) The total amount of the bounty payable under this Resolution in the 6 months ending the 31st of March 1926 should be 18½ lakhs and in the year commencing the 1st of April 1926 and ending the 31st of March 1927 should not exceed 41½ lakhs, making a maximum total in all of 60 lakhs.”

Sir, this Second Assembly has grown up with the steel problem. It has been before us at almost every meeting and the ground is so familiar that I do not think that the House will expect me to travel over it again in any detail. I need only remind the House that in January last I made a proposal that bounties to the amount of 50 lakhs of rupees should be given to the steel industry, that is to the Tata Iron and Steel Company, in the

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year beginning on the 1st of October last and ending on the 30th of September next. And when I made that proposal to the House I promised that the whole question would be re-examined by the Tariff Board during the summer of this year and that it would be brought again under the review of this House in this session. In pursuance of that promise, the Tariff Board have made an examination of the question and the report or rather the reports of the Tariff Board have been circulated to Honourable Members. And it is also in pursuance of that promise that I am now placing the matter again before the House. I think I may assume that all Honourable Members have read those reports. I think I may assume that Honourable Members will accept the recommendation of the Tariff Board that special assistance is still required for the steel industry in India. I propose also to assume that Honourable Members will agree that that special assistance should take the form of bounties rather than an increase of duties, and finally, with due deference to my Honourable friend Mr. Rama Aiyangar I propose to assume that the House will agree that these bounties should be guaranteed for the rest of the life of the Steel Protection Act; that is to say, that the House will agree that we should have no further inquisitions into this Act until the whole matter is revised with reference to the Delhi Session of 1927. I conceive that the main question that the House wants me to explain to-day is why the Government in making our proposal to the House have cut down the recommendation of the Tariff Board. The Tariff Board, as the House knows, recommend that in the remaining period of the life of the Steel Protection Act, bounties to the extent of 90 lakhs of rupees should be given to the steel industry. The Government are suggesting to the House that we should modify these proposals and cut down the bounty to 60 lakhs of rupees, and I think that my main task to-day is to explain to the House why the Government have adopted this course. I can quite understand that our proposals in this matter will cause some difficulty to Honourable Members. Honourable Members will say: You have in the Tariff Board your expert advisers. They have definitely come to a conclusion that you ought to give bounties to the steel industry of 90 lakhs of rupees and we want to know why you propose only to give them 60 lakhs of rupees. I must confess, Sir, that the recommendations of the Tariff Board in this matter came rather as a shock to the Government. I need hardly remind the House that when I addressed the House on this subject in January last, the position of the steel industry in India was, I might almost say, critical. At any rate, the steel industry at that time was in a very serious position, and the Government quite deliberately came to the conclusion that the right course for them to take was to adopt a bold and generous measure. I notice that the Tariff Board have in their report criticised the proposals I made to this House in January last as being rather too generous. Sir, I said quite openly in my speech to the House in January last that the Government knew that the proposals they were then making were more generous than the recommendations made by the Tariff Board. As I say, we were quite deliberate in the action we took, and I think I may claim that as a result of that action, we have succeeded in extricating the Tata Iron and Steel Company from what was a very serious position. Indeed, there is confirmation of that fact in the speech of the Chairman of the Board of Directors at the last annual meeting of the Company. Now, Sir, I am happy to say that the position of the steel industry is very much better. The Tariff Board themselves brings

out these points quite clearly. In the first place, a great difficulty in January last was that there were heavy stocks of imported steel in the country. Those stocks were hanging like a thunder-cloud over the market. Now those stocks have been dissipated, and we have the definite statement of the Tariff Board that stocks of imported steel are now practically normal. Then again, Sir, we can claim that the prices of steel have been stabilised. It is true that they have been stabilised at a low level, but the essential point is that they have been stabilised, and the result of that stabilisation of prices is that, if the calculations we have made in the Commerce Department are correct, there has been a considerable increase in the consumption of steel in India, which is a very satisfactory feature. Then again, one of our great difficulties in January last was the enormous stocks of steel held by the Tata Iron and Steel Company. Those stocks, the Tariff Board report, are now down to normal, and the Company are having very much less difficulty than they had in selling their steel. Indeed, the Chairman of the Board of Directors in his speech at the last annual meeting definitely told us that the Company was booked well ahead with orders. There are no more of those forced sales at ruinous prices, which were such an embarrassment to the Tata Iron and Steel Company in the autumn of last year. I have quoted more than once from the speech of the Chairman at the annual meeting, but I will quote him again. He then said that "the position of the Company is steadily improving from day to day and from month to month." There is improvement in another direction also. There has been a stoppage of that enormous flood of imports of steel into India which was such a feature of the position in the autumn of last year. I think I may say that there are signs now that our policy of protecting the steel industry in India is becoming effective and the clearest testimony to that fact is the reduction of this flood of imports. I gave some figures in reply to a question by Mr. Das the other day. I told the House that in the first half of 1924 the imports of steel bars into India were 120,000 tons. In the second half of 1924 these imports dropped to 90,000 tons and in the first half of 1925 they dropped to 52,000 tons. I think that is a very striking fact. It is a fact which indicates that our policy is at last becoming effective and it is a fact which necessarily impresses my Honourable colleague on the right, because, as our policy becomes effective, so our revenue from our protective duties on steel are bound to become less and less. That, Sir, is the reason why we were surprised in getting the recommendation from the Tariff Board for enhanced bounties. In January the position of the industry was critical. Now the industry is in a very much healthier condition and therefore we were rather surprised to get a recommendation for an increased measure of assistance. But, Sir, the Tariff Board's recommendations are perfectly logical. I expect that Honourable Members realise the method adopted by the Tariff Board. When they first put up their scheme for protection in 1924, naturally they had to arrive at some measure of the protection required, and their first task was to arrive at a fair estimate of the cost of production in India and a fair selling price for locally produced steel. The House will remember that the fair selling price they arrived at was Rs. 180 for certain classes of steel and Rs. 175 for structurals and steel of that kind. Then they had to arrive—and this is the method they have adopted in this last report—at an estimate of the price the Tata Iron and Steel Company are likely to obtain for their steel during the next 18 months. They have made the best estimate they can and they have reported their results in this report. The difference between the two—the fair

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selling price for locally produced steel and the price the Tata Iron and Steel Company is likely to have—represents the measure of protection required. Then, Sir, the Tariff Board set to work to try and forecast the amount of steel on which bounties will have to be paid, which the Tata Iron and Steel Company were likely to produce in the next 18 months. Having arrived at these two factors, namely, the difference between the fair selling price for locally produced steel and the price the Company is likely to get, and the amount of steel on which bounty is required, all that the Tariff Board then had to do was to make an arithmetical calculation. They made certain adjustments and arrived by that method at the result that the amount of bounty that we ought to give to the Tata Iron and Steel Company is Rs. 90 lakhs. The scheme is a perfectly logical scheme. It is carrying out to its logical conclusion the scheme put up by the Tariff Board in 1924.

But, Sir, the Government of India have to look at this matter from rather a different point of view. The Tariff Board took a perfectly detached point of view in considering this question, but we have to take rather a different standpoint. I should like at once to make this point. Though we have thought it necessary to make some reduction in the proposals of the Tariff Board, I hope the House will not think that we are in any way weakening in our policy of protecting the steel industry. That, Sir, is not the case, and I say it most emphatically. We have to take various considerations into account. In the first place, though the Tariff Board had naturally to adopt this method in arriving at their estimate of the amount of protection required, that is to say, they naturally have had to bridge the gap, I beg the House to observe that we on the Government Benches have been always careful to safeguard ourselves against any impression that we would guarantee the Tata Iron and Steel Company any particular price. I made that point clear in my speech introducing the Steel Industry (Protection) Bill. It is quite impossible for Government to guarantee to any Company any particular price.

The next point I desire to make is this. The House must remember  
12 Noon. that bounties are a very much more generous form  
of assistance than increase of duties. In the first place, when you increase the duty it is very rarely that our local manufacturers get an increase of price exactly equivalent to the increase of duty. In the second place, the House must remember that if we had put on an offsetting duty instead of proceeding by way of bounties, we should have been justified, in fact, it should have been our duty if prices of imported steel had increased, to take steps to take off or to reduce such offsetting duty. Here we are asking the House to pledge itself to a scale of bounties for the rest of the life of the Steel Protection Act. That, I think, is a very important point.

Thirdly, I do not think the Tariff Board have taken into account one fact. In making the adjustments to which I have just referred, that is to say, in calculating the fair price of locally produced steel, they took into account the reduction in the cost of internal production caused by the increase in exchange. But they took that into account only in respect of what they call the bounty steel. We have to treat the industry as a whole. The industry makes what the Tariff Board call the bounty steel and they also make what the Tariff Board call other steel, and we think that they

have not taken into account, in estimating the amount of bounties required, the effect of the higher exchange on the cost of production of that other steel. If you apply, as we have done in the Commerce Department, the Tariff Board adjustment not only to the bounty steel but also to other steel it means that the amount of bounty might legitimately be reduced by Rs. 10 lakhs. There are other considerations of this kind which we have got to bear in mind. In the first place, though the Tariff Board's estimate of the surplus revenue from these protective duties is as accurate an estimate as could be made, still it is only an estimate. Under their proposals there is only a margin of Rs. 24 lakhs. Personally we are inclined to think that that margin is too small and we have also got to remember that we are dealing here with the tax-payer's money, that there are many other commitments of Government and we have got to be careful that we are not too generous to one firm at the expense of other legitimate claimants upon us. But, Sir, and here I come to what I consider to be the most important point of all. We have another reason which has actuated our proposal. It is a reason which under the terms of reference the Tariff Board could not take into account, but it is a consideration which the Government and this House must take into account very much. The House must remember that bounties are rather a demoralising form of assistance, and the danger of bounties is that we teach the firm to whom we give those bounties to rely too much upon Government and too little upon itself. Sir, I am here on very delicate ground. I would not have trespassed upon it at all had not the Chairman of the Board of Directors of the Tata Iron and Steel Company referred to this point in his speech at the annual meeting. He said in that speech—I should like to read you the passage :

“ Now, gentlemen, I want you to listen to me very carefully. Make no mistake about this point. We hold this money in trust for you. But you yourself hold it in trust for the Indian nation which has at great sacrifice to the country and believing that the development of this great industry will strengthen and further the national growth, given you in the shape of protection more than the whole of the net profit which we have made. The bounties on rails and the bounties on ingot steel paid to us during the last year in actual money exceed Rs. 65 lakhs. And in addition we have the benefit of the tariff on other steel. In return for this the country expects us and you to build up as soon as practicable a strong and healthy industry able in course of time to stand without protection, capable of strengthening and supporting the industrial development of India.”

When I introduced the Steel Protection Bill in May 1924 I made an appeal to the industry to co-operate with the Government and the Legislature. When I proposed bounties in January last I made that same appeal, and Sir, I feel that I ought to make that appeal again. I think the Chairman of the Board of Directors will bear me out when I say that hitherto there has been no response to that appeal, and that is a feature in the position which worries me most. The House has to remember that owing to the way in which the capital of this company is arranged, about two-thirds of the share capital takes the form of second preference shares the interest on which is cumulative. For the past three years I think I am correct in saying that arrears of that interest amounting to about Rs. 50 lakhs a year have been accumulated. There is a load of debt amounting to Rs. 1½ crores on that score alone round the neck of the company, and I feel, Sir, that we in this House ought to send a message to-day to the Tata Iron and Steel Company that we expect them to take this matter in hand and that we expect them to co-operate with us in putting their industry upon a sound and healthy basis. We have placed a heavy burden upon the country. I think I am correct in saying that the Tariff Board in their first

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report estimated that burden at about 1½ crores a year. In addition to that, if my proposals are accepted, we will have paid during the life of this Act to this one company Rs. 203 lakhs. I think that we have been—I do not go back upon that for a moment—we have been very generous to the industry, but I feel that the Government and this House have a right to claim from the industry co-operation with us in this matter. I am perfectly satisfied that, though we are not putting the company on velvet, yet we are giving them a very liberal measure of assistance and the figures in the Tariff Board's own report will bear that statement out. The only serious point that has been put to me by my Honourable friends opposite in this matter is, "Yes, but what will happen if exchange goes up? What will you do then?" Sir, I am not an exchange broker and I am not a prophet in exchange. I am not in a position to say whether exchange is likely to go up or to go down. (*An Honourable Member* : "It is going up.") But I do say this, that if exchange does go up to any serious extent for any prolonged period, then it will be a new factor requiring consideration. (*An Honourable Member* : "And a new Resolution.") In the meantime, I hope that the House will unanimously accept this recommendation of Government.

**Mr. President** : As in the case of the last Resolution moved by the Honourable the Commerce Member, I propose to allow a general discussion to proceed upon this Resolution also for some time and then to take up the amendments one by one.

**Mr. C. B. Chartres** (Associated Chambers of Commerce : Nominated Non-Official) : I am sure I am voicing the opinion of many Members in this House when I say that I regret very much that the Commerce Member has been compelled to bring before us again a Resolution to give a further extension of bounties to the steel industry. When the Tariff Board submitted their original report and this House imposed an extra tariff to give protection to the steel industry there was at the time of the inquiry a considerable amount of opposition from traders and users of steel throughout the country, but these traders and users subordinated what might be called their personal interests to the view that the steel industry was of national importance to India and the Chambers of Commerce agreed at that time, reluctantly I admit, but they did agree to the increased duties which were imposed and it was very unfortunate for the steel industry that almost immediately after the imposition of these duties the sharp rise in exchange enabled steel to come into the country so cheap that the effect of the protection afforded was of practically no use to the company and the company had again to come to this House for a bounty. The second report of the Tariff Board who have just inquired into the position at the present day has shown that this rise in exchange still exists and that the company again needs a considerable measure of support to enable it to carry on effectively at the present time, and I am glad to inform the House that the Chambers of Commerce of this country have authorised me to state that they fully agree to any action that is found necessary to keep this company going provided such support be given by bounties and I therefore beg to support the Resolution very fully.

The reasons which the Honourable Member has just given to the House for not accepting the recommendations of the Tariff Board in full have, I must say, carried a certain amount of weight with me, but I think



there are other considerations which also have to be taken into account. The Honourable Member has told us that he has examined the Tariff Board report and that this examination shows that the Tariff Board have not made sufficient allowance for exchange adjustment on steel and he estimates the allowance under this head at 10 lakhs. I think there is another matter in which the Tariff Board have erred and that is in the allowance they have given for the profit on sales of surplus pig-iron produced by this company. I happen to know a good deal of the pig-iron market in my own business and I should be very surprised if the Tariff Board have not over-estimated under this head by at least 15 lakhs of rupees. Consequently this error neutralizes the Honourable Member's objection and it seems to me that the figure which the Government have now decided to adopt might have been a little more liberal. There is one other point of view that I should like this House to take into consideration. That is when the next inquiry comes along, we want to see this company in such a position that it will be able to compete without having to come to this House for bounties.

Now, Sir, I have examined these reports very carefully and the position of this company seems to be this, that on the production of pig-iron which is the first stage of steel, it is working very efficiently and can produce more than the expected output. In the third stage the Rolling Mills, where they roll the steel ingots and bring them to the form in which steel is sold, the company is also in a position to deal with very much larger quantities than it is now dealing with, and it is only in the actual steel manufacturing plant that the company requires some alterations in order to considerably increase its output. The effect of this increased output is very considerable when you come to consider the cost per ton of manufactured steel. I have jotted down a few figures and although the Tariff Board in this book think that 120 lakhs per annum should be enough as overhead charges for this company, personally I think they have underestimated. I think that the figure for depreciation should not be less than 90 lakhs per annum and taking into account the figure for interest on capital and the debenture interest, I will take the overhead charges at 150 lakhs of rupees per annum, so that on an output of 300,000 tons per annum, which is the rate of output which is expected during the next half year, the overhead charges per ton of steel will be Rs. 50. Now, I think it is greatly to the interest of this company to increase its output until it can use the whole of the pig-iron that is manufactured and keep its finishing plant up to full work and so reduce its cost to the lowest possible figure. Not only will the works cost come down but, if the output be increased to 400,000 tons, the overhead charges will come down by Rs. 12-8-0 a ton. Now this figure is more than the bounty that the Government are offering the company to-day and the point I would make is that had the Government agreed to give the extra bounties which the Tariff Board now recommend on the condition that the company guarantee to employ 30 lakhs of rupees of that bounty to build a third steel furnace so as to bring the output of their steel plant up to the capacity of their blast furnaces and the capacity of their rolling mills, when the company comes to this House again in 1927, they would in my opinion be in a position to compete with the world's market without any bounty whatsoever. I would ask the Commerce Member very seriously when dealing with one of the amendments on the paper recommending this extra bounty if he would not consider accepting that recommendation provided that the company gave a guarantee such



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as that I have indicated. From an engineering point of view I am confident that that is the way in which this company will be able to get its works cost down and put itself in a position to compete with the world. I do not think I have anything more to say and I will simply repeat that I support this Resolution.

**Sir Purshotamdas Thakurdas** (Indian Merchants' Chamber ; Indian Commerce) : Interested as I am in the Tata Iron and Steel Company both as a director and a shareholder I felt that it might be unnecessary for me to take part in the debate to-day ; but the latter part of the speech made by the Honourable the Commerce Member has made me change my mind. It is not only necessary but also incumbent upon me to put before this House the other side of the picture. I do not wish to-day to refer at all to the question of the adequacy or inadequacy of the relief which the Commerce Member said the Government of India are so generously offering to the company. It is I think very unfortunate that the company which happened to be in a position to help the Government during the war at great sacrifice to the interests of its shareholders as compared with what steel companies were doing in other parts of the world should have been a company consisting of private shareholders. If the Honourable the Commerce Member had every time that he referred to the "*generous treatment*" the Government of India gave to this company also said that the company had treated the Government of India not only generously but extravagantly at the expense of the shareholders during the war period, I would not have referred to this at all. But that, Sir, is beside the point. I only wish to bring this up because I feel that this House ought to be placed in a position to fairly judge what is "*generous*" on the part of my friend on the Treasury Benches and what is not. At present the Government of India are only making a deferred payment to the company for what they took from the shareholders of that company more or less under a moral promise which has still to be carried out. I wish, however, to put that on one side.

The Honourable the Commerce Member said that he was not an exchange broker and therefore he claimed all innocence and, if I may say so, almost ignorance regarding how fluctuations in exchange on the upward side may affect this question.

The House need not be reminded that, whilst the Commerce Member is not an exchange broker, he has at his very elbow the main operator in exchange in the Indian market, and he need not go far, Sir, to be wise in the future course of the rupee sterling exchange. Even a broker, well placed as he may be, has got to go to his client. The Commerce Member has only got to turn round to his esteemed colleague and there he has, without the slightest trouble, the most up to date information as to what is in store for India in exchange fluctuation.....

**Mr. M. A. Jinnah** : Which no broker can get.

**Sir Purshotamdas Thakurdas** : None else. However that is a matter which I shall refer to again. I do not say the Commerce Member should indicate to-day which way he will work if any fluctuations come about in the exchange market.

As I said, my main reason for rising to address the House to-day is in connection with the appeal which the Commerce Member made to the

company. He referred to a certain part of the speech of the Chairman of the Tata Iron and Steel Company, a part of the speech which I may say I had something to do with. I did not hear if the Commerce Member referred to that part of the Chairman's speech with approval, but I am sure he could not disapprove of that appeal that the Chairman of the Tata Iron and Steel Company made to the shareholders of that company.....

**The Honourable Sir Charles Innes :** May I explain, Sir, that I wanted to reinforce that appeal ?

**Sir Purshotamdas Thakurdas :** I am very glad, Sir, that the Government of India have some things at least that they can approve of coming from Directors of the Tata Iron and Steel Company. But may I ask the Commerce Member whether the appeal he has now chosen to make is not too vague and too general ? What does the appeal convey ? There is a part of the capital rupees 7½ crores in preference shares ; what do you want the Company to do with that capital ? Why not say definitely to the Company, this is what you would like the Company to do, and give your reasons for it. As a matter of fact, Sir, I think I have been after the Commerce Member for more than a year now to get at what the Government of India think would be the right thing for the Tata Iron and Steel Company to do in order that the Government of India may help that company to build up, not necessarily a company which will yield large dividends to the shareholders, but what I am more concerned with, and what I am sincerely concerned with, to see a steel and iron industry in India which will enable us, within five, ten or fifteen years, to be independent of any imports from outside. May I ask the Commerce Member whether he has definitely told the company what he would like to be done, and whether he has definitely discussed it with representatives of the Tata Iron and Steel Company ? May I ask him whether he has inquired if any difference has cropped up between the Directors of the Tata Iron and Steel Company and the Government of India ? I am quite prepared, as far as my position is concerned, whether in my personal capacity or in my capacity as a director of that company, to agree to any vote that this House may pass in connection with what will be the fairest thing for the company to do by the tax-payer of this country. But, Sir, I strongly object, in an important matter like this, to take, without challenge, the opinion of the Executive of the Government of India when we have radical differences of opinion with them. Let this House go into a committee on this question ; let a strong, expert committee be appointed in order that the necessary terms may be laid down after hearing representatives of the Tata Iron and Steel Company. The shareholders have very material differences of opinion on this question with some of the views of the Government of India. I have been for the last year and more discussing these with very prominent shareholders of the Tata Iron and Steel Company. Many of these shareholders are men who are capable of looking at both sides of the question, namely, their personal interests as shareholders, and also how the company can be helped not only to live, but also to live in a manner which will make this country independent of having to import from outside. These shareholders, Sir, have advanced to me very strong reasons why some of the recommendations which have been put before the company till now by the Commerce Member cannot be and should not be accepted by the Directors of the Tata Iron and Steel Company. Sir, the position

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of the Government of India at times has been very peculiar. When the Tata Iron and Steel Company approached them for assistance, we were told at times that, after all, what matters to the country is that somebody should run the company, that the furnaces should continue to blow. With a mentality of that nature, and with a tendency in that direction, it would be very difficult for people, who have put up the money for this industry, years before the Government of India woke up to this industry, to accept as gospel truth whatever the Executive of the Government of India may choose to lay down. I say to-day, Sir, let the Honourable the Commerce Member move for a committee of this House to be appointed to consider the question. Let that committee discuss the question with the executive of the company and also hear the Honourable Members of the Governor General's Executive Council in this connection. I think that, after a full and fair discussion of this question, there should be no difference of opinion regarding what should be done in the best interests of the taxpayer and without hitting the company unduly and unfairly. But even leaving that aside, Sir, I feel the shareholders of the Tata Iron and Steel Company would have to, and I think they would be prepared to, accept the verdict of a committee of this House in this connection. Let us not grope in the dark ; it is no use making vague general appeals which lead nowhere. Put something on paper, discuss it, when there is a specific difference of opinion let a committee of this House decide what they think would be the minimum that we would be entitled to ask from the Government of India until this industry is substantially built up.

I do not wish, in the slightest degree, to minimise the assistance which the Commerce Member and the Finance Member have agreed to give to this company till now. I realise, Sir, that, placed as we are in this very peculiar position, under this present constitution, without their consent and without the sympathy that they have shown till now, even what we have got up till now could not have been available. I am not blind to the fact that, in spite of having the best of cases, if they simply say " No ", it is " No " for ever, and this House has frightfully restricted powers to force their opinion on the Executive, however strong the feeling in the House may be. I do not therefore say this or anything in a spirit of criticism or cavilling at the Government of India ; but when the Honourable the Commerce Member chooses to get up in this House and make an appeal to the shareholders, I do not want there to be any misunderstanding that, as far as the shareholders and directors of that company are concerned, we are prepared to meet and discuss. I personally feel that the directors and shareholders of the Tata Iron and Steel Company should be prepared to accept their verdict after an inquiry into the whole question by a committee appointed by this House, side by side with the Executive. I feel, Sir, that I am not asking anything too much. In fact I feel that, unless and until some method of this nature is adopted, the Honourable the Commerce Member will always continue to have a grievance against the company and against the shareholders, and the shareholders in their turn will always have a grievance against the Executive, who according to the ordinary shareholder of the Company is suspected of trying to shake the shareholder out of what is his just due.

The Commerce Member, Sir, in a previous debate referred to things being put before his departmental committee, that is, the departmental

committee of the Commerce Department. He particularly referred to those, I think on the suggestion made by my Honourable friend on my left Mr. Jinnah, that any proposals in connection with protection to an industry should hereafter be examined by a committee of this House. The Honourable the Commerce Member said, and he said that again in connection with the amendment of my Honourable friend Mr. Dumasia which eventually had to be ruled out of the Bill that we passed yesterday, that he would put the matter before his departmental committee. I do not remember very accurately, Sir, if I have the honour to be on this departmental committee, but I have an idea that I was one of those selected by him for the purpose. May I ask him how many meetings he has had either this year or last year of his departmental committee? One wonders if these committees are more or less ornamental, for I think last year we were called to only one meeting and so far as the six months of this year are concerned we have attended none because none was called, in order to assist that Department. Therefore the departmental committee or advisory committee of this Department, Sir, is not the channel through which anything useful can be done.

This question of protection is one which gives rise to a series of misapprehensions and misunderstandings because the Government of India have not yet decided to get the House to agree upon or to lay down the minimum conditions on which an industry is entitled to protection.

**The Honourable Sir Basil Blackett :** The Fiscal Commission.

**Sir Purshotamdas Thakurdas :** The Finance Member says the Fiscal Commission. Well, have you acted up to all the recommendations of the Fiscal Commission? What are the details? Does he contend that no details have to be worked out? If it is so and the Finance Member feels that the recommendations contained in the Fiscal Commission's Report are all that is required, why do the Government of India not get up and say in reply to what the Honourable Mr. Joshi has been moving consistently and repeatedly that the question of labour does not arise on the question at all, and why do the Government of India not take the opinion of the House whether these amendments have the slightest sympathy of the House? The Fiscal Commission laid down the broad principles. The details must be worked out. I cannot help feeling that if this is to be carried out in this manner, I mean the question of protection by the Government, we may have to criticise the policy as being carried out more in an amateurish way than in a thoroughgoing businesslike manner. Let this House lay down what they think are the minimum requirements which they expect from any industry which asks for protection. Having laid that down, we will know exactly where we stand; and an industry applying for protection would have to work up to these minimum conditions. Then the question which will be a comparatively simple one to decide, will be—is the protection deserved or not on the minimum conditions we have laid down?

I feel, Sir, that I have spoken somewhat frankly. I felt that in order that this House may know exactly where the position stands I ought to do so to-day. The ordinary routine on these occasions, Sir, is for a person who is on the board of the company affected by the protection Bill to get up and say "I thank you very much; we appreciate your action very much and we are most grateful to you." If I have not said that, it is

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not because I do not mean it. The Finance Member may laugh as much as he likes, but I sincerely say on behalf of the Tata Board and the shareholders of the Tata Iron and Steel Company we are all grateful to this House and to the Executive for whatever they have voted in the past and whatever they chose to vote to-day.

**Pandit Shamlal Nehru :** And in the future !

**Sir Purshotamdas Thakurdas :** That is not for me even to expect ! But, Sir, as a Member of this House I feel that I would not be doing my duty either by the company on whose board I sit or by my colleagues in this House if I did not tell them exactly how the matter stands. It is now up to the Commerce Member to accept my suggestion asking this House to appoint a committee to hear both sides, find out what they would like and then send it to the Tata Iron and Steel Company, in case no decision is arrived at between the directors or representatives of the shareholders and the committee of this House in connection with the main subject about which the Commerce Member has made an appeal here. I therefore, Sir, with these words thank the House for having heard me without interruption, as was the case last time, and having heard me so patiently. I have tried my best to put before the House the reason why the details should be gone into and laid down very clearly by a committee of this House with the assistance of the Executive of the Government of India.

**Syed Majid Baksh** (Burdwan and Presidency Divisions : Muhammadan Rural) : Sir, I rise to oppose this Resolution and I am going to give my reasons. It is time, Sir, that we put up an effective resistance to these bounties that go to fatten the capitalists, by taking money out of the poor tax-payer's meagre purse and putting it into the pockets of the capitalists. Sir, I am reminded of a story. In a certain grammar school there was a student who was rather a dunce and could not remember his lessons. Now the teacher one day came to him and looking at him pointedly asked him "Tell me what you know and what you do not know ?" The bewildered student answered "Sir, I know that your hogs are fat but I do not know whose corn has fattened them." I think it is time we should know whether the corn of the poor tax-payer is to fatten these capitalists. It is most unfortunate that the exploded theories of Toryism are imported from England and introduced here not in order to benefit the poor, not to increase the wealth of the land, but to increase the wealth of the few capitalists. Sir, I should say that these bounties make these industries a prodigal's favourite. While millions of our people in this land are living as miser's pensioners in all that matters for them, we are giving bounties to these industries by the million. Sir, I am tempted to inquire why these bounties have become necessary and that year after year we must pay—I do not know where this process will end—and pay in a never-ending process. I think it is the highly paid European staff and the engineering staff in these industries that make them demand these bounties. These bounties, Sir, are more presents camouflaged as bounties to the highly paid European staff paid out of the attenuated resources of India. And who is responsible for this, Sir ? I make no hesitation to say that it is the Government, the bureaucracy, that is responsible for this state of affairs, for the high salaries these European staff are paid out of necessity by these industries.

**Mr. K. Ahmed :** The Swarajists are supporting them.

**Syed Majid Baksh :** Well, you must make up your own mind and not speak of other's minds. Sir, why do not these gentlemen who form the Government of this country either establish metallurgical colleges or send students to foreign countries to learn metallurgical chemistry and engineering, to run these industries at a fraction of the cost that they are giving year after year as bounties ?

That would have minimised the cost very much and we should not have been put to this trouble of giving a bounty. But they will not do it because they want to maintain and pamper a costly European staff. I heard that some of these men that run the iron industries in the Tata Company and the Bengal Iron Company were as highly paid as many of our Government officials here and sometimes are paid even much higher salaries. Sir, I shall give one instance. It is about the State of Mysore. We all know how the Cauvery Falls were harnessed to produce electricity. I think it was Sir Seshadri Iyer, the then Dewan of Mysore, who, when he contracted for the machinery with American firms, stipulated that each year they must take students from Mysore and train them in the art of producing electricity from water-falls and send them back again to Mysore so that they may be employed there and so that the whole of the generating plant may be run by students who are inhabitants of Mysore. This at least the Government could have done here. The result there in Mysore is that the whole electric plant of the Cauvery Falls is run by Mysore men who have had their training in America and who run the plant at Mysore at a very small cost, much smaller than would have been possible with a European staff. But unfortunately, Sir, those people of Mysore were not the trustees for the people, they were the servants of the people there and they did it ; here we have got trustees and so we cannot do it.

Sir, I welcome the Honourable the Commerce Member in his new role of a plagiarist of German economic fallacies. Bounties are usually given so that they might undersell all other people in all other lands except their own. Unfortunately, Sir, if I may be allowed to use that expression he has borrowed an old and worm-eaten wig of German economists and Tory theorists in order to cover the premature baldness of capitalists in this country. We see bounties are offered in this country in a very different way. We know that in other countries bounties are given in order that the cost of production may be so lessened that they might undersell competitors in foreign lands ; here we have bounties given to sell articles in our own land. It is a most peculiar application of bounties that we have ever come across. We see unmistakable evidences of bungling in the management of the whole affair, perhaps by uninitiated hands. This is a country of anomalies and the bureaucracy is guilty of strange anomalies due to its ignorance of economic science. Sir, I oppose this Resolution.

**Mr. K. C. Neogy** (Dacca Division : Non-Muhammadan Rural) : Sir, I have no desire to strike a discordant note on this occasion. Indeed, I stand by the policy of protection which this House deliberately adopted last year ; but, Sir, I think on the occasion of such an annual stock-taking of the situation, it is permissible to put the point of view of the consumer in so far as it does not conflict with the interests of the trade itself. Sir, I think it is the business and duty of this House to adjust the conflicting interests of the consumer to those of the trade which it seeks to protect. I am led to make these observations in view particularly of the new

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situation that has been created since we discussed the Steel Protection Act in May of last year. This Resolution itself is an evidence of the new situation that has been created.

In the first place, the protective duties which this House passed last year have proved ineffective for the purpose for which they were intended. That is the main reason why we have this Resolution before us to-day ; and the second circumstance is that the Government have actually collected much more in the shape of extra duties than they ever anticipated. Otherwise there would not have been the wherewithal to pay the extra bounties. Sir, when the Tariff Board considered this matter in 1924, they imagined that the proceeds of the extra duties would be just enough to balance the bounties that would be necessary to be given under their recommendations. I would draw the attention of the House to paragraph 99 of their Report of 1924 on this point. This is what they stated :

“ We fully recognise that the protection of basic industries by means of bounties has certain obvious advantages, but we fear that for financial reasons any scheme which proposed to accord protection to steel solely by this means must be dismissed as impracticable at present, and we need not dwell on the point further. We have, however, considered whether a scheme could be devised of a combination of tariff duties and bounties so as to restrict as far as possible the burden on the consumer.”

Then they proceed to point out that, as their policy becomes effective, the higher duties will reduce the imports more and more, and therefore a time will be reached when there will be very little money with which to pay bounties ; and that is the reason why they recommended a policy of combination of protective duties and bounties for a beginning.

Now, Sir, it has been admitted in reply to a question that Government have derived a net profit of about 30 lakhs of rupees after meeting the demands of the bounties so far ; and the Tariff Board in their latest report in paragraph 34 state that the increase in revenue is likely to exceed the payments on account of the bounty by 24 lakhs in the three years during which the Steel Industry (Protection) Act remains in force. They arrive at that figure on the basis of the amounts which they recommended should be given in the shape of bounties. But it has been stated by the Honourable the Commerce Member, the Government have no intention to give effect to their recommendation in this behalf in its entirety. I therefore feel confident that the result of this will be that instead of leaving a surplus of 24 lakhs, in three years, the surplus in the hands of Government will come up to at least 70 lakhs, if not more. Sir, may I inquire if in these circumstances the consumer has got any claim to relief ? I do not mean that the amount of the bounty should be cut down, what I mean is that this amount should not be allowed to be collared by the Honourable the Finance Member. Sir, I am perfectly aware of the fact that the Steel Protection Act will not come up for amendment till its full term of three years has been run. But what is there to prevent the granting of rebates in regard to certain items in the schedule of duties which, on consideration by the Government and by this House, may not justify the high duties that have been imposed on them ? Sir, I would in this connection refer to the case of galvanised sheets as an illustration. The Honourable the Commerce Member will remember that I had a minute of dissent appended to the report of the Select Committee on the Steel Protection Bill in which I dealt with the case of galvanised sheets.



It is not my intention to disclose what passed in the meeting of the Select Committee, but I am sure that neither the Honourable the Finance Member nor the Commerce Member will deny that the case for galvanized sheets, so far as the duty was concerned, was a very weak one.

**Mr. Devaki Prasad Sinha :** Then why did you support it ?

**Mr. K. C. Neogy :** I shall give the explanation for it presently. Well, Sir, on the canons laid down by the Tariff Board itself, the high protective duty sought to be imposed on the galvanized sheets could not be supported when we came to consider that Bill. And what was the attitude taken up by Government in that connection ? They got me to drop my suggested amendment almost at the point of the bayonet as it were, because Government would have dropped the Bill, if I had insisted on my amendment. Well, Sir, I have no desire to go at length into what took place in the Select Committee, but I think it will not be denied that the only justification for putting up the rates on galvanized sheets was not that this was a fit case for protective duties, but that Government wanted money with which to pay out the bounties.

**The Honourable Sir Charles Innes :** Sir, I should like to explain that I do not admit the statement just made by the Honourable Member, nor do I admit that I got him to do anything.

**Mr. K. C. Neogy :** I would expect the Honourable Member to deal with these points when I have finished my speech. I find that the Honourable the Commerce Member challenges the position taken up by me. I would refer him to the first Report of 1924 of the Tariff Board. If we turn to the table which they append to their report at page 162, we find that this is the only item in which as much as two-thirds of the burden falls on the general consumer as distinct from the Railways, Government departments, public bodies and the principal industries.

Sir, I will now turn to another figure. What is the average quantity that India consumes in galvanized sheets ? The Tariff Board estimated our future requirements at 150,000 tons annually. But we find from their latest report that this estimate has been falsified, and that the quantity which they now calculate as representing our annual requirements is 210,000 tons, and the net increase in revenue which they expect from this head is 25 lakhs and odd in 1924-25, 34.2 lakhs in 1925-26, and 32.4 lakhs in 1926-27. That is to say, this furnishes the heaviest item of net increase in revenue from the protective duties. Now, Sir, how much of this quantity are the Tatas expected to manufacture ? In the report of 1924, the Tariff Board expected the Tatas to manufacture 8,000 tons in 1924-25, out of which they have not manufactured even half, that is to say, they have manufactured less than 4,000 tons. In 1925-26 the Tariff Board expected the Tatas to manufacture 15,000 tons, while as a matter of fact they have manufactured only 13,200 tons. In 1926-27, the Tatas are expected to manufacture 18,000 tons. When we reach that figure, which is the maximum laid down in the Tariff Board Report, that will represent about 1/12th of the total quantity consumed by India. Now, I ask the Honourable the Commerce Member, if he can justify the high protective duties on galvanized sheets in these circumstances ?

Sir, I have already shown that you are taxing the general consumer a little too much over this item. And I think that, when you have such a large amount in your hands as surplus after meeting the claims of



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bounties, this House should insist on the Government reconsidering their policy in regard not merely to galvanised sheets, but to such items generally as come into consumption in very large quantities by the ordinary people, and which the Tatas are not expected to manufacture in any large quantities in the near future.

Sir, In this connection I would remind the House, although I may be accused of raising a parochial point, that galvanised sheets are very largely in use, even among the poorer classes, in the province which I have the honour to represent in this House, and the high duty which the Government have fixed on this item is working very harshly so far as the large portion of the consumer in Bengal is concerned.....

**The Honourable Sir Charles Innes :** It is not borne out by imports.

**Mr. K. C. Néogy :** Well, the import duties have put up the prices. The Honourable Member cannot deny that. I think, Sir, that in these circumstances, a review of the whole matter is very necessary. I am not the man to dogmatise on these matters, but I would implore the Government either to ask the Tariff Board to go into this question very carefully and recommend as to whether, in view of the unexpectedly large increase of the import duties, the tariff schedules should be revised, or whether any other relief can be granted in the shape of rebate or in any other form which the Tariff Board may consider fit and proper. As I began by saying, I have no desire to oppose this motion, and I hope that the request which I make will be borne in mind by the Government and the matter will be investigated by the Tariff Board.

**Mr. President :** Since the general question has been sufficiently discussed, I will take the amendments now, unless Sir Basil Blackett wants to reply on any of the points which have been raised on the general question.

**The Honourable Sir Basil Blackett (Finance Member) :** Sir, there are one or two points which have been raised on the general discussion, which I propose to answer, but I should be quite willing to do so later.

I do not propose, Sir, to attempt to follow the Honourable Member who has just spoken and re-open the whole question of the Steel Protection Act. His speech will be very much to the point a year and a half hence when we are considering the renewal of that Act, and I have no doubt that he will very forcefully make the point that there are some duties in the Act as it stands which are high from the point of view of the consumer. It would hardly lie in his mouth to make that complaint now unless he confesses (which I rather began to think is the confession behind his speech)—unless he confesses that he has weakened in his support to the policy of the protection of steel. It is perfectly true that

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we have had rather more revenue from these protective duties thus far than we originally estimated and that galvanised sheets are responsible for a portion of the increase. But the main portion of the increase was due to the very large imports that took place just in the first few months or the early portion of the period during which the Act was enforced. To say that that shows that the policy has been unsuccessful is I think incorrect. The Honourable Member who just spoke said the policy was ineffective, but it is proving very effective as I know from the figures showing a considerable reduction

in the receipts from the customs department, from receipts other than galvanised sheets. The estimate that the Tariff Board have produced is not one which we desire to challenge but it certainly does not leave a large margin and I myself should not be surprised if it is rather an over-estimate of our total receipts during the period. One of the main reasons why receipts have increased is that after the Tariff Board's first report was produced there was a general fall in the price of steel, both British specification and Continental,—a very considerable fall not only in the rupee price but also in the sterling price, and I think one reason for the considerable imports of galvanised sheets now is that, in spite of the increase in duty, the cost has come down so much that the consumer is willing to pay the price.

I will not attempt to follow the Honourable Member further. I rose mainly to deal with one or two points that were raised by Sir Purshotamdas Thakurdas. First of all, with regard to the question of exchange. The Honourable the Commerce Member said that, in the event of there being a serious and prolonged rise in exchange, a new situation would arise and it would be in such circumstances that we should have to reconsider the question of the amount of the bounty. It is not I think possible to go beyond that. It is not possible to make any reasonable arrangement in advance to deal with an emergency of that sort. The effect of a rise in exchange depends very much on the circumstances in which it occurs. It is not of course possible to say that, if you require  $\frac{1}{2}$  per cent. protection with exchange at 1s. 6d. you require 20/18 of  $\frac{1}{2}$  per cent. protection, if exchange goes to 1s. 8d. That is simply an impossible way of looking at the situation. But I hope that the question may not arise. Speaking in Bombay in July, I said on behalf of Government that the Government had no desire to see exchange rise above what would be the gold point at 1s. 6d., namely, 1s. 6 $\frac{3}{4}$  d. in existing circumstances, especially in view of the fact that there was no tendency for prices to rise but, on the contrary a tendency for prices to fall. I repeat that statement on behalf of Government. We have no desire at present to see any rise in the exchange. We naturally cannot commit ourselves to any view as to what the final future of the exchange rate should be. For that we are waiting for the report of the Currency Commission. But pending the receipt of the views of the Currency Commission, we have no desire to see exchange raised above 1s. 6 $\frac{3}{4}$  d. and, though I have seen many statements in the Press questioning the capacity of the Government to make their desires effective, I can assure the House that in my opinion there is not the slightest doubt that we have full power to make our desire effective. I will say no more about exchange.

I will say one or two words about the question as to what it is that the Government desire to see the directors and shareholders of the Tata Iron and Steel Company do. Sir Purshotamdas Thakurdas spoke about differences of opinion between Government and the directors. I do not think my Honourable friend, the Commerce Member, had any such difference of opinion in mind nor do we feel that there is any such difference of opinion. Sir Purshotamdas Thakurdas knows the difference of opinion that there has been between the directors and the shareholders, and I think it is a matter for the directors and shareholders to settle for themselves.

**Sir Purshotamdas Thakurdas :** May I, Sir, say at this stage that the directors are trying to carry into effect what the Government of India want? Now, whatever the directors did put forward practically reflects if not totally certainly in the major part, what the Government of India have indicated as desirable in their opinion. Therefore, it practically comes to a difference of opinion between those who are interested in these industries and the Government. I submit, Sir, that what I have said is borne out by what the Finance Member himself has said.

**The Honourable Sir Basil Blackett :** I do not desire to chop logic. The position of the Government of India is quite clear. They are desirous of making effective their policy of protecting the steel industry. They never have been concerned in protecting the Tata Iron and Steel Company as such. So far as this House is concerned, the desire of this House is to see a strong steel industry established in this country; and, in view of the fact that the Tata Iron and Steel Company is the one company which is at the present time seriously engaged in producing steel, obviously the financial position of the Tata Iron and Steel Company is a matter of very considerable interest both to the Government and to this House and to the nation. The financial position of the Tata Iron and Steel Company is a somewhat difficult one owing to the fact that, as pointed out by the Tariff Board in their original report, there is a considerable amount of capital which cannot be expected to earn a return. The Government's view has been quite clearly stated to the Company, that this ought to be dealt with. It is not for the Government to lay down the exact terms on which it should be dealt with, still less is it for the Government and a committee of this House to consider what terms Tata's directors should suggest to their shareholders for dealing with this difficult situation. But I do think that it is right that the Government and this House should make it clear to the Tata Iron and Steel Company that their policy is to enable the company to earn a reasonable return on the capital which is really engaged in turning out steel and it is not the policy of the Government or of this House to put a company in a position out of bounties, voted at the expense of the tax-payer, to pay the arrears of dividends on second preference shares. I cannot say more than that. I do not think it is for me or the Government to enter into details. If I did so, I fear that, if Sir Charles Innes has been accused by Sir Purshotamdas Thakurdas of being vague, I should probably be accused by other people of being perhaps too precise. I have no further observations to add on the question as a whole except that I hope I may make an appeal to the House, in view of the shortness of time at our disposal, to get ahead with the business.

**Mr. President :** I now propose to take the amendments.

**Mr. B. Das (Orissa Division : Non-Muhammadian) :** Sir, I beg to move the following amendment :

“(a) That in clause (2), for the word and figures ‘Rs. 12’ the word and figures ‘Rs. 18’ be substituted.

(b) That in clause (3), for the figures and word ‘18½ lakhs’, the figures and word ‘28 lakhs’ be substituted.”

**Sir,** I listened very attentively to the speech of the Honourable the Commerce Member as I thought I would get some tangible explanation which

might persuade me not to move my amendment. But instead of explanations, the Honourable Member for Commerce spoke on the generosity of the Government. I find the generosity of the Government is at a discount to-day. Last week, on the question of the protection of the paper industry, while the Tariff Board recommended protection for five years, the Government went up by 40 per cent. and increased it to 7 years, and the generosity of the Honourable the Commerce Member having been exhausted there, there was nothing left, and so his generosity was at a discount to-day. I ask, why is the Honourable the Commerce Member going to treat the iron and steel industry to-day in this stepmotherly fashion? I have gone through the speeches that he delivered while he moved the Steel Protection Bill. He did not want to be ungenerous nor to be overgenerous. All he wanted was to give adequate protection to the steel industry. I will just quote one line. (*Mr. N. M. Joshi* : "Protection to the shareholders.") Yes, I am mindful of the shareholders and the workers as well.

**Mr. N. M. Joshi** : Are you a shareholder ?

**Mr. B. Das** : Let me tell the House that I am not a shareholder. I have no interest in the steel industry. As I told the House the other day, I am the link between labour and capital. I have equal interest in both. My friend on my right (*Mr. Chaman Lall*) may say that he is a worker. He is living on the capital of his ancestors, yet he says he is a worker ! I am a worker and I live on my work.

Sir, the Honourable Sir Charles Innes, while moving the Steel Industry Protection Bill, said : (As the Honourable Member was searching for the quotation).

**Mr. Devaki Prasad Sinha** : May I suggest to the Honourable Member that the wheels of capitalism do not grind so slowly as this ?

**Mr. B. Das** : But the wheels of representatives of workers in this House do grind the more slowly.

The Honourable Sir Charles Innes said :

"All the mistakes, misfortunes and the difficulties of this Company have been brought into the pitiless glare of publicity."

Later on he said :

"But it would of course be futile for us to go in for this policy of protection unless we were satisfied that the measure of protection we are according was adequate."

It is the adequacy of the protection that I am going to deal with before this House. Sir Charles Innes went on and eulogised the Tariff Board, its expert valuation, and the expert members that it contained and still contains. He also remarked :

"I do not claim nor do the Tariff Board claim that these proposals will enable the Tata Iron and Steel Company at once to pay large dividends."

And my Honourable friend, Sir Basil Blackett, who is not very generous with money, as we all know, remarked :

"It surely cannot be pretended that a company of that sort is in absolute need of spoon-feeding from the Government."

I think at the moment his intention was to give this industry proper and adequate protection. Sir, in the last Delhi Session, when the Honourable

[Mr. B. Das.]

the Commerce Member wanted to protect the steel industry by a bounty of Rs. 50 lakhs, I had the misfortune to move that a bounty of Rs. 100 lakhs be given. Your predecessor in the Chair ruled my amendment out of order. Let me take the privilege of quoting from that ruling :

" I once more want to tell the Honourable Member that he is moving an amendment to increase the sum of Rs. 50 lakhs to Rs. 100 lakhs. After he has moved that amendment he has restricted the debate to the question whether the estimate made by the Government that Rs. 50 lakhs will be required in one year to pay at the rate of Rs. 20 per ton to the steel industry is correct or not. The sole question in issue, once his amendment is moved, is whether that estimate is right or not. The Honourable gentleman is now talking about generosities....."

—to-day I am not talking of generosities—

" It has nothing to do with generosities ; it is merely mathematical accuracies."

Sir, I bowed to the ruling of your predecessor in the Chair. Well, Sir, I ask the Honourable Member for Commerce not to talk of generosities but to talk of mathematical accuracies. Let us see what the Tariff Board have recommended. I ask Honourable Members to turn to paragraph 25, page 14, of the first part of the Tariff Board's report. They say :

" It is clear, we think, that the manufacturer's profits are not likely to be unreasonably high, and that a limitation of the bounty payments cannot be justified on that ground."

Later on, in paragraph 34, the Tariff Board recommend Rs. 18 per ton as the bounty. Everybody knows that Rs. 20 per ton was recommended during the January Session. The Tariff Board, after expert calculation, have reduced it by Rs. 2. But the Honourable Member for Commerce or the Government of India, by a stroke of the pen, have reduced it by another Rs. 6. Just now, my Honourable friend Mr. Neogy asked what the Finance Member is going to do with all this money. I know the Finance Member's bag is like the well-known witch's bag of the fable which can swallow all the cotton mills and the steel industry—crores and crores of rupees. In reply to a question which I asked, the Honourable Member for Commerce said that there was a surplus of Rs. 30 lakhs with the Government. If Government fix the protection at Rs. 12 per ton, there will be a surplus of another 40 lakhs. That will be 70 lakhs. And according to the surplus calculated by the Government and Tariff Board as well, there will be another Rs. 30 lakhs by March 1927. That means that a crore of rupees will be in the hands of the Government from the steel protective duties. My question is, what are the Government going to do with this one crore ? I know that there are other interests that can be served. Here is my friend Mr. Chaman Lall and my friend Mr. Joshi who want that the workers should not go unemployed. I may appeal on behalf of the workers that, if this industry is adequately protected, the workers should not go unemployed. Why should there be spoon-feeding ? If Rs. 18 per ton which the Tariff Board experts have recommended be allowed, in two years time the industry will be properly organised. It may be we may not have a second Steel Protection Bill in this House. If the Tariff Board were not expert two years ago, they have become expert by having had to consider a number of applications, and I think the opinion of an expert body like the Tariff Board is more valuable than that of experts which may be in the pigeon-holes of the

Honourable the Commerce Member. I asked a question as to the actual amount of iron and steel of Indian origin purchased by the Government of India. My Honourable friend, the Member for Industries—I am sorry he is not here—replied that 411 tons for 1923-24 and 1,483 tons for 1924-25 of iron were purchased by the Indian Stores Department and I was referred to the report of the Railway Board about the quantity of iron and steel of Indian origin purchased by the different railways. I do not find that the Indian railways have purchased any quantity of steel except rails. This they are compelled to purchase by their agreements with the Indian Iron and Steel companies. I therefore asked a question what were the negotiations that passed between the Honourable the Member for Commerce and the Chief Controller of Stores about the purchase of railway materials through the Indian Stores Department. Our intention is that the Railway Department and the different Government Departments must purchase iron and steel of Indian origin.....

**The Honourable Sir Charles Innes :** I rise to a point of order, Sir ? Is this relevant to the matter under discussion ?

**Mr. President :** The Honourable Member has now reached his time limit.

**Mr. B. Das :** Sir, we manufacture goods in India, but unfortunately there are no buyers for them. The Government do not take any interest in encouraging the purchase of indigenous articles. Though Government spend crores and crores of the tax-payers' money, yet Indian iron and steel are not purchased. In the railways crores and crores worth of iron and steel are purchased and whenever we ask any question either of the Honourable the Member for Industries or the Honourable Member for Commerce, they do not seem to agree either inside this House or outside that it should be the settled policy of Government to purchase articles and specially iron and steel of Indian origin.

**Mr. President :** That has nothing to do with the question raised by the Honourable Member in his amendment, and he has already exceeded his time limit.

**Mr. B. Das :** I have already moved my amendment. I commend it to the House and I hope that the House will not be carried away by the mellow persuasion of the Honourable the Commerce Member but that they will be guided by the expert opinion of the Tariff Board.

**The Honourable Sir Charles Innes :** I am sorry that the speech I made proposing this Resolution has not convinced my Honourable friend from Bihar and Orissa. In that speech I gave at the fullest possible length the reasons why Government had definitely decided that they should not accept the opinion of the Tariff Board in this matter. It was not a difference of opinion between an expert Tariff Board and the Government of India on a technical point. As I was careful to explain to the House, we gave full weight to the recommendations of the Tariff Board, but we differed from them on grounds which were outside the purview of the Tariff Board's consideration and that is the reason why we have modified these proposals. I hope the House will support me in this matter because, as I have said before, I am perfectly satisfied that our proposals are in the true interests of the iron and steel industry.

**Mr. President :** The question is :

“ That in clause (2), for the word and figures ‘ Rs. 12 ’, the word and figures ‘ Rs. 18 ’ be substituted, and that in clause (3), for the figures and word ‘ 18½ lakhs ’ the figures and word ‘ 28 lakhs ’ be substituted.”

The motion was negatived.

**Mr. K. Rama Aiyangar :** I do not propose to move my amendment.\*

**Mr. B. Das :** In view of the adverse vote of the House on my previous amendment, I do not move my second amendment.†

**Mr. N. M. Joshi** (Nominated : Labour Interests) : (*Cries of “ Withdraw.”*) (*An Honourable Member :* “ Don’t waste time.”) I propose to move the amendment which stands in my name, which runs as follows :

“ That at the end of the Resolution the following be added :

‘ (4) That the amount of the bounty paid in accordance with the Resolution shall be reimbursed by the company receiving the bounty out of the balance which may remain out of profits after distributing a dividend of 8 per cent. to its shareholders in any following year or years.

(5) That the Government of India shall insist that the company receiving the bounty shall produce a certificate from any officer appointed by the Government of India for that purpose, that the labour conditions prevailing in the works of that company are satisfactory.

(6) That the Government of India shall have such representation on the board of directors of the companies receiving the bounty as the Government of India consider to be adequate ’.”

Sir, in view of the fact that only yesterday I had made a speech on the principles of my amendment I do not propose to make a long speech. (Hear, hear.) It is necessary for me to make only a few remarks. (*Cries of “ Oh !”*) Yesterday when the Honourable the Commerce Member spoke about my amendment he said that in the case of customs duties it is difficult to estimate how much money goes into the pockets of the industries which are protected. But to-day we are not dealing with customs duties. We are dealing with bounties. There is absolutely no difficulty in estimating what amount goes into the pockets of the industrialists in this case, and therefore there is absolutely no difficulty why the money should not be paid back. I again say that the principle of the money being returned is accepted by several Governments outside this country and by the Madras Government, and I want the Honourable the Commerce Member to tell me frankly why it is that the Government of India do not take that into consideration at all. He stated yesterday that the best method of protecting the interests of the tax-payer is to stop protection when you find that protection is not necessary. But what about the money which has already been paid to these capitalists ? Now, several crores of rupees will be paid. I want those several crores to be reimbursed to the tax-payer. The Honourable the

\* “ That in clause (3), all the words after the figures and word ‘ 18½ lakhs ’ be deleted and the following be substituted therefor :

‘ The matter will be reported on again in February 1926, for giving adequate protection up to the end of March 1927 ’.”

† “ That in clause (3) :

(a) for the figures and word ‘ 41½ lakhs ’ the figures and word ‘ 62 lakhs ’ be substituted ;

(b) for the figures and word ‘ 60 lakhs ’ the figures and word ‘ 90 lakhs ’ be substituted.”

Commerce Member has not answered that point. That point will not be covered by simply saying that the protection will be stopped after 3 or 4 years. I therefore want the Honourable the Commerce Member to tell me why the Government of India do not take that point into consideration. The same is the case as regards representation. Here there is only one company. Why does not the Government of India ask for representation on the Board of that Company? If the Government give them large sums of money they ought to have some control over that company. The Madras Government asked for control even in the case of loans. When you are giving gifts, presents to the companies, why should you not ask for some representation on the board of directors of this company? The same is the case as regards labour conditions. I want this House to take the principle of my amendment into consideration very seriously. The Honourable Member may not give a reply to-day. But I am quite sure that, if this policy of protection is to be followed, there will be one day, and that day will be earlier than many imagine, when the Honourable the Commerce Member will have to give a reply to the principle of my amendment. If the Honourable the Commerce Member is the protector of the interests of the tax-payer he will have to give serious consideration to this point, and I suggest to him, as the Honourable Member representing the Indian Merchants' Chamber has said, that a committee of the House be appointed to consider these points. Let a committee of the House decide that the tax-payer's money should not be returned as the money is returned in Madras. Let a committee of the House decide that, although we may give Rs. 3 crores to a company, there should be no control of Government over that company. Let also a committee of the House decide that we pay Rs. 3 crores to a company but we should not worry ourselves with the labour conditions existing in the works of that company. Sir, I move my amendment.

**Mr. Devaki Prasad Sinha :** May I ask a question? I want to ask Government whether they have any information if the Labour Union at Jamshedpur has been recognised by the employers or not?

**The Honourable Sir Charles Innes :** Sir, the question which Mr. Devaki Prasad Sinha has put ought to be addressed to the Honourable Director of the Company opposite.

I will follow Mr. Joshi's example and be as brief as possible in dealing with the points that he has raised. I will take the first clause of his amendment. He said he sees no reason at all why if we give these bounties to the Tata Iron and Steel Company we should not require that the bounties should be repaid by the company if the company pays a certain rate of dividend. Now, Sir, I would like to put the point to my Honourable friend in this way. These bounties amount to 2 crores of rupees. We will assume that the company has to repay that money. In order to enable the company to repay those two crores of rupees, obviously the company would have to repay it in instalments because no company would be able to pay two crores of rupees in one year. We would have to continue the protective duties, the burden of which amounts to 168 lakhs of rupees.

**Mr. N. M. Joshi :** Why?

**The Honourable Sir Charles Innes :** In order to enable the company to pay the bounties back in instalments. What I say is that when you are giving bounties especially to a company in the position of the Tata Iron and Steel Company, the right principle is to be generous.



**Mr. N. M. Joshi :** If they make 50 per cent. profits, why should we not get the money back ?

**The Honourable Sir Charles Innes :** We will then be in a position to reduce the burden on the tax-payer.

**Mr. N. M. Joshi :** Why not get the money back ?

**The Honourable Sir Charles Innes :** Let me refer to clause 2. The Honourable Mr. Joshi made the prophecy that some time I should have to deal with this question. I doubt it, because this time next year there will be another person in my place. But I should like the House just to confine itself to the actual proposal of Mr. Joshi as stated in clause 2 of his amendment. I said yesterday it is much too vague. He suggests that an officer appointed by the Government should report whether the labour conditions are satisfactory. I say that you cannot in fairness to the company or in fairness to the officer impose a condition of that kind. It is up to this Legislature, if it wants to satisfy itself as to the conditions of labour, to lay down the canons and to prescribe the standards on which the Officer has got to work.

**Mr. N. M. Joshi :** What does the Australian Government do ?

**The Honourable Sir Charles Innes :** I do not know about that and it is not relevant. I think that the proper way to deal with this question is to improve your Factories Act or the Workmen's Compensation Act and not to add a vague clause of this kind. As regards the question of representation of the board of directors Mr. Joshi referred to the analogy of Company Railways. That analogy fails. To begin with in the Company Railways we give them a monopoly. In the second place we own most of these Railways. In the third place our Government Director is a director with overriding powers. He can veto anything. It is not proposed here that this Government director should have any special powers. He would be merely one of ten or so directors. He would not be an expert in steel and I am at a loss to see in what way we should get control by having a Government director on the Board. Sir, I oppose this amendment.

**Mr. President :** The question is :

“ That at the end of the Resolution the following be added :

(4) That the amount of the bounty paid in accordance with the Resolution shall be reimbursed by the company receiving the bounty out of the balance which may remain out of profits after distributing a dividend of 8 per cent. to its shareholders in any following year or years.

(5) That the Government of India shall insist that the company receiving the bounty shall produce a certificate from any officer appointed by the Government of India for that purpose, that the labour conditions prevailing in the works of that company are satisfactory.

(6) That the Government of India shall have such representation on the board of directors of the companies receiving the bounty as the Government of India consider to be adequate.”

The motion was negatived.

**Mr. President :** I understand that the last amendment in the name of Mr. Majid Baksh is not going to be moved.

The question is :

“ That the following Resolution be accepted :

' This Assembly recommends to the Governor General in Council that a bounty should be paid on steel manufactured in India between the 1st of October 1925 and the 31st of March 1927, subject to the following conditions :

- (1) The bounty should be paid only to firms or companies manufacturing, mainly from pig-iron made in India from Indian ores, steel ingots suitable for rolling or forging into any of the kinds of steel articles specified in Part VII of Schedule II to the Indian Tariff Act, 1894.
- (2) The bounty should be paid on steel ingots manufactured by such firms or companies, and the bounty should be paid at the rate of Rs. 12 a ton on 70 per cent. of the total weight of the ingots manufactured in each month.
- (3) The total amount of the bounty payable under this Resolution in the 6 months ending the 31st of March 1926 should be 18½ lakhs and in the year commencing the 1st of April 1926 and ending the 31st of March 1927 should not exceed 41½ lakhs, making a maximum total in all of 60 lakhs '."

The motion was adopted.

The Assembly then adjourned for Lunch till Ten Minutes to Three of the Clock.

The Assembly re-assembled after Lunch at Ten Minutes to Three of the Clock, Mr. President in the Chair.

#### GRANT ON ACCOUNT OF THE BOUNTY ON STEEL.

**The Honourable Sir Charles Innes** (Commerce Member) : Sir, I beg to move :

" That a sum not exceeding 18½ lakhs be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st of March 1926 on account of the bounty which has been recommended in the Resolution just passed that the Governor General in Council should pay on steel manufactured in India between the 1st of October 1925 and the 31st of March 1927."

**Mr. Narain Dass** (Agra Division : Non-Muhammadan Rural) : Sir, I should like to say a few words on what appears to me to be a very clear issue. The clear issue before the House is whether the duty on manufactures of steel in India should be continued on the same scale as was granted a year and a half ago. The question is not to pamper the manufacturers of steel in India. The question is not to pay anything in excess of the amount the industry actually deserves. The simple question before the House is whether to continue the protection to which the House already is committed, or to cut it down for no rhyme or reason. What I see is this, that against the very thorough and very conscientious and scientific inquiry of the Tariff Board, the superwisdom of the Commerce Department has pitted itself. There seems to be no reason why when the opinion of the Commerce Department and of the Government of India came in conflict with the recommendations of the Tariff Board, the Government did not attempt to communicate their views and to put their views before the Board as the general public did, so that the Tariff Board might have a chance to consider those views also. Sir, when the House committed itself to its present tariff policy and recognised it as a means of fostering some of the national industries, and when it came to give operation to that tariff policy, I think the main idea was to foster some of these industries and not to earn enhanced revenues for the Government. Yesterday by a stroke of the pen we gave an enhanced revenue to Government for giving indirect and inadequate

[Mr. Narain Dass.]

help to the paper industry in India. Instead of keeping a margin of 24 lakhs that the Tariff Board recommend—not that they actually say the Government deserve so much for giving help to a national industry in India ; but after a very careful inquiry they keep aside a margin of increased revenue of 24 lakhs of rupees—the Government are adding very heavily to the custom revenues. I find that Government by giving this generous help to steel manufactures are going to make about 50 lakhs of rupees or even more. Sir, whenever we commit the House or appeal to the House to extend help to a certain national industry by means of bounty or by the application of protective duties, I think the main issue before the House is not to earn enhanced revenues for Government. That pile, Sir, is already very high ; that burden is already very crushing. Sir, the Tariff Board have made a scientific and very careful analysis of the whole situation, and they have come to the conclusion that the Government during the 3 years in question at the very lowest computation will make about 3 crores in enhanced revenues on account of the imposition of those tariff duties ; and the maximum that they can think of, taking the output of steel at the highest, is that they will have to pay perhaps about 256 lakhs of rupees. So they have already kept aside a very great margin against the possible increase in the output of steel or against any miscalculation into which they might have slipped. But I find that the Tariff Board's report has been receiving the treatment which very generally is given to minority reports of certain inquiries, especially the report of the Reforms Inquiry Committee. I find that autocracy and bureaucracy not only come into play in matters of administration, but even in those financial matters and those fiscal measures which have been threshed out and which have been very carefully analysed by an expert body of gentlemen. And the most remarkable thing, Sir, is that the Government of India did not take care at all to express their views or to put their views before the Tariff Board. This scant courtesy shown to the Tariff Board is a very peculiar and autocratic thing ; and I wish that the recommendations had not been dismissed in that summary manner. It has not been alleged that Government want to make money out of this affair, and it has not been ascertained whether the captains of industry in this House have come to a sort of compromise. I cannot believe that, when a matter is placed before this Assembly for their consideration and for their decision, some sort of compromise might not have been arrived at ; and Government evidently do not say that they want to make revenue out of this affair. Then, what is the necessity of cutting down the recommendation of the Board to two-thirds of what they recommend. That really is a very singular thing. The Tariff Board have taken fully into account the decrease in the cost of production, they have very carefully gone into what the cost of steel manufacture will come to during the next year and a half, and they have made sufficient allowance for that. They have also taken into consideration the possible decrease in imported steel owing to the imposition of the tariff duty ; and it seems to me that they have not left a single loophole which could lead to any substantial error. With all that, they have laid aside an increased revenue of 24 lakhs as a possible margin in order that if there might have been some overcalculation or if there might have been some error, that margin would cover it. The speech of the Honourable the Commerce Member did

not show at all what the particular reasons are, what are the particular grounds, which led him to cut down the bounty so substantially as to make it practically two-thirds of what has been recommended by the Board. With these words, Sir, I oppose this motion.

**Mr. President :** The question is :

“ That the following motion be adopted :

‘ That a sum not exceeding 18½ lakhs be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st of March 1926 on account of the bounty which has been recommended in the Resolution just passed that the Governor General in Council should pay on steel manufactured in India between the 1st of October 1925 and the 31st of March 1927 ’.”

The motion was adopted.

## RESOLUTION *RE* SEPARATION OF RAILWAY ACCOUNTS AND AUDIT.

**Mr. G. G. Sim** (Financial Commissioner, Railways) : Sir, I beg to move :

“ That this Assembly recommends to the Governor General in Council that with a view to improving the system of audit and accounting on railways, a reorganisation in the direction stated below be introduced forthwith as an experimental measure on the East Indian Railway :

- (a) The Auditor General shall in future be responsible for audit alone. He should no longer be required to maintain the accounts of the railways or to control their accounts staff. Such control should pass, not to the Railway Board as such, but to the Financial Commissioner of Railways. On each railway system, for all ordinary purposes, the head of the accounting staff should be answerable to the Agent and should carry out his orders.
- (b) The accounts staff under the Financial Commissioner of Railways shall perform duties practically identical with those hitherto undertaken on State-worked railways by the accounts and audit staff under the Auditor General. Where the latter exercised an audit properly so called, the new agency will conduct an ‘ internal check ’ ; but the nature and extent of the scrutiny will be approximately the same in both cases.
- (c) The Auditor General shall, in order to enable him to fulfil his statutory responsibilities, be provided with a sufficient staff to make a satisfactory audit of the work of the accounts offices.”

I move this Resolution, Sir, at the request of the Standing Committee of this House on Railway Finance. The

3 P.M.

proposals contained in this Resolution are intended to make a commencement in giving effect to one of the few remaining recommendations of the Acworth Committee that have not yet been put into force. These proposals are the necessary sequel and the inevitable corollary to the Resolution adopted by this House for the separation of the railway from the general finances. The question, Sir, was referred to during the discussion on the Budget debate last February and a promise was then given that before any action was taken in the matter it would be referred to the Standing Finance Committee on Railways. This was duly done and the proposals received the unanimous support of that Committee. The Committee, however, in view of a statement made by the Honourable the Finance Member, thought that an opportunity should be given to this House to discuss the question contained in the Resolution and that in addition to the demand for a supplementary grant which I propose to move later, a formal Resolution

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of this kind should also be put forward. A complete statement of the proposals and of the reasons for them will be found in the proceedings of the Standing Finance Committee for the 29th of June and for the 20th of July which have been in the hands of Honourable Members since the beginning of this Session. As these proposals are fully explained there and as the recommendation I am now making had the unanimous approval of the Committee I do not propose to enter into the matter at any great length as I assume that the House will endorse the recommendations of its Committee. The papers I have mentioned contain the relevant extracts from the report of the Acworth Committee, and I do not propose to weary the House by reading them in full. All that I need refer to is their final recommendation in the matter. They said :

“ We recommend that the Railway Department should be responsible for its own accounts. We do not exclude, of course, such independent and separate audit as the Government of India may think it proper to make, on the same principle that obtains in any commercial company, where the shareholders appoint an outside firm of accountants to check and report on the books which are kept by the servants of the directors, the ordinary accounting staff.”

The House is aware that under the present arrangements the accounting staff on the railways under the Auditor General are not only responsible for audit but are responsible for the actual compilation of our accounts. They have therefore to undertake numerous duties which have nothing whatever to do with audit proper. For example, they assist in the preparation of budget estimates, they maintain all the registers on which the grant of leave, increments of pay and pension are based ; they maintain all the detailed account registers both of receipts and of all classes of expenditure ; they compile themselves our final accounts of receipts and expenditure. The result is, therefore, that on the one hand the spending authorities do not compile their own accounts ; and on the other hand, so far as accounts are concerned, there is little or no true audit in the sense in which that word is used in ordinary commercial phraseology. What is called audit at present is merely an internal check, that is to say, it is merely an examination by the accounting staff of the accounts which they themselves have compiled. The proposal now made is that all the accounts work should be done by the railway authorities themselves and that we should have an independent audit made by the Auditor General and his staff of the accounts so compiled and maintained by the railway authorities, and of the transactions recorded therein.

I have said, Sir, that these proposals are a necessary sequel to the Resolution passed by this House for the separation of the railway from the general finance. Under that Resolution the railway authorities are required so to administer the railway property that the central revenues shall obtain a definite return on the capital invested in that property ; and under the arrangements made for the purpose of giving effect to that convention the demand for expenditure on railways is now divided up into numerous heads. This House, Sir, now votes the demand under every head and it is necessary that a definite responsibility should therefore be laid upon definite spending authorities to justify any excess over the grants voted by the Assembly. Under this convention, therefore, it is the primary duty of the Railway Board and of the Financial Commissioner for Railways working under the Finance Member

to see that the results required by that convention are obtained, to see that no financial irregularities occur and to justify the expenditure incurred year by year. The powers of expenditure vested in the Railway Board are delegated to Agents to a considerable extent and the Agents in turn delegate powers of expenditure to heads of departments and other responsible subordinate authorities. Now, Sir, if these authorities are to be made responsible to this House, to the Standing Finance Committee for Railways and to the Public Accounts Committee for the expenditure that they incur during the year, it is absolutely essential that they should be made responsible for maintaining the accounts. We cannot at present enforce that responsibility in the full degree in which it ought to be done. The spending authorities at present complain—and not without cause—that they are not kept in sufficient touch with the progress of their expenditure to enable them to assume responsibility for it; that the accounts are actually compiled for them by a staff which is in no way subordinate to them; and that they receive the accounts some months after the expenditure has actually been incurred.

It is hardly necessary for me to say anything regarding the improvement in audit that will be effected by the proposals now before the House. As I have said the work of audit and accounts at present is closely intermingled. What is known as the audit and accounts staff perform numerous functions for the railway authorities for the present which are purely executive functions. At every stage they exercise an internal check which in every commercial office would be done by a staff employed under the control of the person managing the concern. They make a complete check and are responsible for the arithmetical accuracy of the figures, they examine the adequacy of the vouchers to support particular bills and are responsible for the observance of all rules of sanction. So long as the audit staff actively participate in the actual administration of the railways you cannot have a completely independent audit. An audit officer is supposed to be a critic of the completed work of others and he should be able to take an absolutely unprejudiced view of all the papers placed before him.

Under the proposals now before the House—proposals which are necessary if this House is to run the railways as a commercial concern—you will get rid of most of the disadvantages of the present system. The Railway Board and the Agents controlling their own system of accounts and their own accounts agency will be able to ensure that their accounts are maintained and compiled in a manner suitable to a commercial department and at the same time in a manner which will enable them to satisfy this House that they have discharged their responsibility for the proper application of the funds voted by the Assembly; they will be able to watch closely and control thoroughly the progress of expenditure; they will be able to obtain the advice and assistance, which at present they claim from another department, from a staff under their own control.

It is not intended that the accounting officer in the railways should be a mere critic of the railway administration. As head of the accounting department of a railway he will be responsible that the accounts are properly compiled, and compiled in a manner that will enable the agent and the other officers to discharge their obligations. At the same time there will be certain functions that the accounting staff will have to

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perform that might bring them into conflict with the Agent. The accounts officers will be responsible to the Financial Commissioner for seeing that the orders issued from headquarters are properly observed. In some of those cases, there may be a difference of opinion between the Agent and the accounts officers as to what the intentions of the higher authorities are, and for such circumstances we have provided that, while the accounts officer has to take the orders of the Agent, he will take written orders which will explain why the Agent disagrees with the accounts officer and all the papers relating to any such disagreement will be immediately forwarded to the Financial Commissioner for Railways for decision. It is impossible for the Financial Commissioner for Railways to carry out his present responsibilities unless he has staff on every railway system responsible to him for seeing that the orders are carried out. There is a considerable amount of misapprehension regarding the functions at present performed by the accounts staff on railways. The great bulk of the work which they at present do is to see that the executive orders of the Railway Board itself are given effect to, and in particular, that the orders issued from the financial side of the office are observed. I would refer Honourable Members to paragraph 5 of the Memorandum which is given in the proceedings of the Standing Finance Committee for Railways on the 29th June. It is pointed out there that :

“ The fundamental principles of audit are very few, and the minuteness of the present check over the transactions with the Railway Department, against which the Acworth Committee made complaints, is mainly due to the minuteness of the detailed rules propounded by the superior railway authorities. It is essential that the necessity and the fruitfulness of such rules should be tested and determined by the financial authorities with the Railway Board and the staff which are working under them. To enable the Financial Commissioner on the Railway Board to discharge his duties efficiently, he must have on each railway system a staff which will be responsible to him for seeing that orders from headquarters are obeyed, and for recommending changes in the rules and instructions, whenever these are found to be giving rise to unnecessary trouble or not to be producing the effect for which they are intended.”

There are some minor matters, Sir, on which misapprehensions appear to exist in the minds of some Honourable Members judging from the nature of the amendments which have been put down in connection with this Resolution. Most of these amendments are for the purpose of securing that the accounting officers shall not in any way be prejudiced in carrying out their duty of enforcing orders issued by the Financial Commissioner by any unnecessary subservience to the Agent. I should like to explain clearly that it is the intention of the Government that the officers in the accounting department should have their prospects, promotions, reversions, etc., determined not by the Agent but by the Financial Commissioner. . . .

**Diwan Bahadur T. Rangachariar :** Their appointments ?

**Mr. G. G. Sim :** Appointments too, certainly.

**Mr. A. Rangaswami Iyengar :** What about the Financial Commissioner himself ?

**Mr. G. G. Sim :** The Financial Commissioner himself, Sir, would as usual reply to the queries put and the Resolutions moved in this Assembly, and I think that this Assembly have so far shown no reluctance to keep him in order. (Laughter.)

Sir, I consider that the proposals now put forward will secure the main objects which the Acworth Committee had in view ; that is to say, that the accounts of our railways shall be so maintained that the superior authorities should have complete information through their own staff as to what they are actually doing and how their expenditure is progressing, of judging whether that expenditure is advisable or not, and of enabling them to discharge their responsibility of showing that the money voted by this House has not been wasted. At the same time, it will secure what is equally essential, and what we have not had up to now, an independent audit of our railway receipts and railway expenditure.

As regards the expenditure required for this experiment, the House will observe that the proposals for the expenditure were put forward by the Auditor General, and that the Finance Committee agreed to these proposals after hearing what the Auditor General himself had to say on the subject. At the same time they asked that, before this system is extended to other railways, a report should be submitted to them to show whether economies could not be effected, whether in the accounting staff under the railways or in the audit staff maintained by the Auditor General.

I can only assure the House that it is my personal conviction that the expenditure of these 3 lakhs should pay for itself over and over again. It is very difficult, almost impossible in many cases under the present arrangements, to enforce responsibility for expenditure unless you compel the spending authorities to be responsible for the expenditure up to the time that the expenditure is actually embodied in the accounts. This proposal will also enable the Financial Commissioner for Railways to intervene more swiftly and more effectively than he can do at the present moment, when reports of the neglect of order reach him after some time and from a staff over which he has no control. At the same time, you will have an effective check, which you had not before, in the way of an independent audit for railway transactions. Sir, I move the Resolution that stands in my name.

**Mr. N. C. Kelkar** (Bombay Central Division : Non-Muhammadian) : Sir, I move the amendment that stands in my name, namely :

“ That consideration of this Resolution be adjourned till the next Delhi Session of the Assembly.”

I shall briefly state the reasons why I have moved this amendment. In the first place, I should like at once to assure my Honourable friend opposite that the object of my amendment is not to obstruct or delay in any way the object which the Honourable the Mover has in view. My only object in moving this amendment is to get some time to raise a discussion in the Assembly upon the merits of the new proposal so that all of us may be in a better position to give an intelligent vote. I am quite aware, Sir, that the Finance Committee, which is elected by ourselves, has in a way passed this proposal.....

**Mr. G. G. Sim** : In a way ? Certainly not. Unanimously.

**Mr. N. C. Kelkar** : The Finance Committee has passed the proposal. My qualification comes in here. As I understand it, certain members of the Finance Committee have passed the proposal with certain reservations.....



**Mr. G. G. Sim :** Who ?

**Mr. N. C. Kelkar :** I am coming to it presently. I may at once name one member of the Committee, Mr. Neogy. He was not present. I state the facts as I know them without keeping back any of the facts. Mr. Neogy was not present at the meeting at which this scheme was passed. I am not going to state what actually took place at the meeting of the Standing Finance Committee. I will merely state what was the general opinion of the members who were present in the Finance Committee, and therefore it is pertinent for me to take into account what my friend Mr. Neogy thinks about this matter. Now, with regard to Mr. Neogy, I will say this, that he had asked for certain papers in order to enable him to give an intelligent vote on the matter and to have a thorough discussion of the *pros* and *cons* of the scheme. And I regret to say that, for reasons best known to the Financial Commissioner, these particular papers were refused to him. Here is a statement which appeared in the public press about the demand made by Mr. Neogy and the refusal accorded to him and I will read it practically in Mr. Neogy's own words :—

“ It seems that this question of an alternative escaped the attention of the committee. I, therefore, requested the railway authorities to supply me with a copy of Mr. Jukes's note referred to in Mr. Mitra's report, and in reply Mr. Sim has refused to supply me with this on the ground that it is not a practice to supply to the Members of the Assembly or of the Railway Finance Committee copies of ‘ notes recorded on Government files ’. This description of the notes is wholly incorrect as you will find on reference to para. 5 of Mr. Mitra's report, that the Auditor General and Mr. Jukes submitted printed notes to the Railway Board. I feel that the attitude taken up by Mr. Sim in this matter raises a question of principle and that we will be quite within our rights if we insist on the production of the printed notes which are referred to in the Government scheme itself, and cannot conceivably be of a confidential character, before we proceed to discuss the Resolution on its merits.”

Now, with regard to the production of this paper, I will at once say this, Sir. I have not seen the note nor has Mr. Neogy nor has any members of the Finance Committee. I do not know what it might contain. Perhaps it may be a dark horse altogether. But the very fact that a certain paper has been asked for and has been refused has naturally created a feeling of suspicion, and Mr. Sim has only himself to thank that that suspicion has been created. He has to take the consequences of his own action ; we are not to blame for it. There is another Member, Mr. Rama Aiyangar. He is here and of course he will speak for himself. But so far as I have been able to gather from a perusal of the report of the Standing Finance Committee for Railways, I see this, that he has got certain doubts as to the working of the scheme. Thus for instance, he wants to know what is to happen about periodical reports or occasional reports about irregularities discovered in the course of audit. To whom are irregularities to be submitted for scrutiny, to the Financial Commissioner or the Auditor General, etc. ? That I think does affect the success of the scheme, and therefore I take it that, though Mr. Rama Aiyangar has not dissented in so many words from the scheme, he has got some mental reservations, which make it necessary for us, whose vote is now called for, to go into the question and to get our minds clear as to what Mr. Rama Aiyangar's doubt about this is. With regard to the production of papers I will say this at once. Mr. Sim need not of course go out of his way to tell us exactly what papers we should read or call for. He is not our trainer or coach or teacher. But he is certainly the custodian of certain papers which we have the right to demand, and I think that is the principal question which can be raised here and we should be perfectly justified, in adjourning the final disposal

of the scheme, if this House holds, as I think it will hold, that we do possess a legitimate right to call for certain papers which are printed and are on Government files. I do not quite see the point of the paper being on a Government file being a reason for a refusal to produce it. It is certainly not a secret or confidential document pertaining to the affairs of dark and high chancelleries of nations. Certainly it is not a political document nor do I wish to import any political feeling—I at once assure my Honourable friend—into the discussion of the present matter. I am trying, as far as possible, to discuss the thing on its own merits, and I say we have a legitimate right to call for all papers to which our attention is called in order that we may be able to give an intelligent vote upon any new schemes that are put before us.

Then, again, Sir, I do not pretend that I am a person well versed in these accounts or audit matters. But I cannot help taking cognisance of public criticisms which appear to be well-informed criticisms. I cannot take the one-sided version of the Benches opposite in a case like this. I have got to take cognisance of public criticisms, and, as far as I have seen these criticisms, I have come to know that many well-informed persons regard this new scheme as a risky scheme and involving extravagance. And I think the other side will have completely to prove that it is not risky and does not involve extravagance.

Now, this experiment that is going to be made is only one experiment on two combined lines. It is going to cost three lakhs. And what about other lines that come on our hands gradually. I think that the total expenditure on this extended experiment would in all come to about 14 or 15 lakhs annually and certainly that is not such a small sum that we can totally disregard it. The real question is not what the proposed experiment, if sanctioned, would cost. The cost is a great factor, but it is not the only factor. The financial estimate of the experiment may be perfectly correct. We are not questioning that. We are not questioning the estimate that it will cost three lakhs to put on its feet the particular scheme that is now being proposed, but the real question is whether the experiment is really needed or whether the principle underlying the experiment is a sound one. The new proposal is to make the Railway Department self-contained and self-sufficient as far as possible with its own accounting and its own audit. Unfortunately, the statutory duty of an independent audit cannot be obviated by the desire of the Railway Department for independence.

**Mr. President :** Is the Honourable Member going into the merits of the Resolution or is he merely confining himself to the motion for adjournment ?

**Mr. N. C. Kelkar :** My doubts as to the merits is a reason for adjournment. Unfortunately, the statutory duty cannot be obviated. What the Department however says in effect is this : “ We shall make our own arrangements or keep our own accounts. We do not want any body’s interference in deciding in what form or fashion we may keep them. A kind of pre-audit may be necessary but we insist that it shall be done by the officers in the department itself and subordinate only to the head of the department. And the need of independent control will be satisfied by the existence of the general supervision of the Financial Commissioner, who will represent the Finance Member. If beyond this you want to discharge the statutory obligation of an independent audit, let that be in

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the nature of a test and percentage audit and under the control of the Chief Auditor. You propose the machinery you want for this purpose, and we shall pay the expenses." All this looks fair on the surface, but the fact remains that the Railway Department does object to pre-audit by an independent agency and that has got to be explained. It is said that railway accounts are very complicated and that the needs of the Auditor General do not coincide with the needs of the Railway Department. But I believe that the difficulty is overstated. Surely it should be possible for the Audit Department to sit down with the Railway Department and discuss and agree upon the most suitable forms required for keeping railway accounts. The requirements of this agreement cannot be got over even in view of the fact that the independent statutory audit will be a test and percentage audit only. On the other hand, it is not shown how the possible evils of only a departmental pre-audit will be removed and nobody can deny that these evils exist. We have only to bring before our mind's eye the conflict between the exalted officer, namely the Agent of the Railway, and the accountant-cum-auditor subordinate to him; and we can at once imagine the result.

Do you in this world expect a sense of stern independence from men whose prospects are in the hollow of your hand? The Railway Department is one in which, like the Military Department, huge sums of money come into operation and there is infinite scope for irregularities and wastefulness and worse.....

**Mr. President :** I am afraid the Honourable Member is going too much into the merits of the question. His motion is for adjourning the discussion of this Resolution and if he confines himself strictly to it, the business of the House will be greatly facilitated. Let us first put out of the way the adjournment motion and then we shall go into the merits.

**Mr. N. C. Kelkar :** I will restrict myself to it if I am allowed to put that motion for adjournment immediately.

**Mr. President :** The Honourable Member has put it already.

**Mr. B. Das** (Orissa Division : Non-Muhammadan) : Sir, there are many like my Honourable friend Mr. Kelkar in this House who do not completely understand the Resolution placed by my friend Mr. Sim before this House. Sir, one of the complaints that the non-official Members make of Company-managed Railways is that they are always mismanaged. My friend Mr. Sim, by his explanation, has proved to the House that there is a great deal of mismanagement.....

**Mr. President :** I do not want to interrupt the Honourable Member, but the motion before the House is that the discussion of this Resolution be adjourned till the Delhi Session and I want Honourable Members to confine themselves to that motion.

**Mr. B. Das :** All right, Sir. My contention is that if the East Indian Railway accounts remain under the Auditor General, although he is statutorily appointed by the Secretary of State, he will have control over the accounts by a pre-auditing system to the satisfaction of the House. In some of the Government Departments they have introduced pre-auditing of accounts. Here, Government propose to do away with

the pre-audit system of accounts in the Railway Department and want to transfer the control of the Audit Department from the Auditor General to the Honourable the Finance Member to whom the Financial Commissioner is subordinate. Sir, we do not find the Auditor General in this House to represent his views. The other day, my friend Mr. Burdon got hold of Colonel Needham to explain certain matters in regard to Dr. Lohokare's Resolution. So also, the House needs explanation in this matter. Many of us find difficulties in understanding how one system of audit and accounting, which is applicable to different Government Departments and has proved so successful, is not going to be applicable to the Railway Department where complete control of accounting and pre-auditing is going to pass over to the Agent of the Railway without any check whatsoever. We would like the whole Resolution adjourned till the Delhi Session so that we can take time to review the whole situation, and at the same time we hope that Government will ask the Auditor General to be present in this House to put forward his point of view.

(Sir Purshotamdas Thakurdas and one or two other Members rose to speak.)

**Mr. President :** This is a motion for adjournment. If the adjournment motion is not carried, Members will have ample opportunity of discussing the merits.

**Sir Purshotamdas Thakurdas** (Indian Merchants' Chamber : Indian Commerce) : I want to speak in order that the adjournment motion may not be carried.

**Mr. President :** Sir Purshotamdas Thakurdas.

**Sir Purshotamdas Thakurdas :** Sir, having been a member of the Committee and having been present at the meeting where this was discussed, I feel that I ought to put before the House the reasons which strike me why this motion should not be carried. The Railway Finance Committee, Sir, consists, if I mistake not, of about 11 or 12 members. At the meeting that was held in Bombay, excluding the Chairman Mr. Sim, 8 non-official members were present, and as Honourable Members will be able to see from the proceedings of the meeting—Vol. II, No. 1—the Resolution on this subject was carried there unanimously. There are a few minor details on record as to the directions in which members present wanted some more information or desired certain safeguards to be introduced. I feel, Sir, that if and when a report comes before the Assembly with such a unanimous vote of the Committee to which the work is in the first instance entrusted, it would be a great pity if such a report is to be delayed from Session to Session. The House is now, to-day, I think, in a position to discuss this question on its own merits and either accept it or turn it down or modify it. But, if it went on delaying, I feel that it would be a bad precedent. I am sorry to have to speak against my Honourable friend Mr. Kelkar's amendment in this connection, but, if I may say so, I have heard nothing in his speech till now which has made me feel in the slightest degree that he has made out a case for consideration of this matter being postponed to the Delhi Session. If my Honourable friend feels that he will have more leisure in Delhi than we have to-day or will have within the next two days, that is another matter. But the Railway Department have thought over the subject and presented a scheme, and I may say that

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this is not the first time when this scheme was put before the Railway Finance Committee. It was put before them first and was turned down by them ; subsequently it has been modified and brought up again, and it is high time that we did not delay it any further. I wish, therefore, Sir, to recommend that this amendment of my friend should not be carried.

**Mr. K. C. Neogy** (Dacca Division : Non-Muhammadan Rural) : Sir, I feel that a word of personal explanation is due from me, because it has been pointed out by Mr. Kelkar that I was not present at the meeting of the Standing Finance Committee for Railways at which this question was discussed. When this House elects Members to any Committee, I think it has the right to demand an explanation from any Member if he does not discharge his duties properly.

**Sir Purshotamdas Thakurdas** : He was engaged elsewhere.

**Mr. K. C. Neogy** : Sir, when the Standing Finance Committee for Railways met at Bombay, I had already accepted an invitation from the Legislative Department to be present at a meeting of a very important Select Committee to be held in Simla. It was pointed out to me in a letter from the Legislative Department that, as there was nobody else who was authorised to take the Chair at that meeting, it was essential that I should be present. It was in these circumstances that, when I received the notice from the Railway Department informing me of the date of the meeting of the Standing Finance Committee, I had to write back and say that, as I had already accepted an engagement previous to the receipt of that notice, I could not be present at Bombay. However, Sir, I do not think that I have any right to expect either the Railway Department or my colleagues on that Committee to defer consideration of this matter because I was not present. But, Sir, I would refer to one small matter, and that is this. When this matter came up for discussion in the Assembly during the last winter Session at Delhi, I believe I was the solitary member of the Standing Finance Committee who raised his voice against the whole basic principle of the scheme. I think, therefore, that it would not altogether be unjust on my part if I were to expect the Railway Department to show a little courtesy towards me and to postpone the consideration of this question when for very good reasons I could not attend that meeting. However, Sir, I do not complain.

The Honourable Member from Bombay (Sir Purshotamdas Thakurdas) has just said that he has not heard anything said by Mr. Kelkar as to why this question should be postponed. The Honourable Member himself was a member of the Acworth Committee and I am perfectly aware of the recommendations made by that Committee in regard to this matter. But, Sir, what surprises me is this, that although I have gone through that report from cover to cover, including the voluminous evidence given before that Committee, I do not find any question put either by my Honourable friend Sir Purshotamdas Thakurdas, or any other member of that Committee, to the Auditor General, or the Accountant General of Railways or to any other audit officer connected with the State Railways, to explain the charges that are levelled against the present system.

**Sir Purshotamdas Thakurdas** : I thought we were going to deal with that on the merits of the proposition before us.

**Mr. K. C. Neogy :** My point is, that so far your case has been that the present system has failed, that is to say, either that the present rules are at fault or that there is something wrong with the people who are responsible for the working of the present system which is producing the evil results that the railways complain of. Now, Sir, I should have expected from a man with the sense of fairness of Sir Purshotamdas Thakurdas. . . . . (*Mr. Devaki Prasad Sinha :* "Question.") I am not so uncharitable as my Honourable friend from Bihar. I have the fullest confidence in the sense of fairness of my Honourable friend Sir Purshotamdas Thakurdas and what surprises me is this that in the Acworth Committee they accepted a statement, an *ex parte* statement of the railway authorities in regard to the unsuitability of the present arrangements, without giving any opportunity to the Auditor General or to the Accountant General, Railways, to explain the charge that is levelled against them, and that is the reason why I am in favour of this postponement.

**The Honourable Sir Basil Blackett** (Finance Member) : The Auditor General agrees to this proposal.

*An Honourable Member :* He did not in the beginning.

**The Honourable Sir Basil Blackett :** That is quite true.

**Mr. K. C. Neogy :** I should not like to enter into that question just now because I may blurt out something which my Honourable friend may not like altogether. I have had an opportunity of consulting very many members of the Audit and Accounts Service from the highest to the lowest. . . . .

**The Honourable Sir Basil Blackett :** I was speaking of the highest and not of disagreements of his juniors.

**Mr. K. C. Neogy :** I come to the highest. I and another friend of mine, who is not here just now, Mr. Rama Aiyangar, (*An Honourable Member :* "He is here.") in our capacity as Members of this Assembly had consulted the Auditor General in his capacity as the Auditor General of India in regard to these questions ; and his opinion as given to both of us was quite definite on the point. He thought that the present system could be so adjusted as to meet all the objections raised. . . . .

**Mr. President :** The Honourable Member is going into the merits of this question. He should confine his remarks to the motion before the House.

**Mr. K. C. Neogy :** My point is that the Auditor General should be examined in this matter by either the Standing Finance Committee or the Public Accounts Committee or by any other Committee that this House may appoint before. . . . .

**Mr. President :** The Honourable Member has not put down any motion for that purpose.

**Mr. K. C. Neogy :** What I say is this that we want to utilise the time that will be available, if Mr. Kelkar's motion is accepted, for the purpose of ascertaining opinion in this matter from the authorities I have mentioned, and I think, Sir, I am perfectly in order in making a reference to that point.

Now, Sir, I have not heard my Honourable friend Sir Purshotamdas say that this experiment, which I may remind him is described as an experiment in the motion itself, is so very urgent that the heavens will fall if we do not pass this motion to-day. Sir, I again revert to that

[Mr. K. C. Neogy.]

point which I was dealing with when I was interrupted by the Honourable the Finance Member, because I think it is very essential that you should not adopt any new-fangled scheme on the *ex parte* statement of the railway authorities, but that you should have the considered opinion of the Auditor General—the Acting Auditor General—and the Accountant General for Railways, as to whether it is not possible to bring about the necessary reforms without changing the whole basis of the present system. Sir Purshotamdas Thakurdas certainly is not in a position to assure me that he has considered the point of view of these authorities either in the Acworth Committee or in the Standing Finance Committee. He has merely accepted as gospel what Mr. Sim put before him in the note of Mr. Mitra and other papers. My difficulty is this. I am, I may confess, a little slow-witted as compared with my Honourable friend Sir Purshotamdas Thakurdas ; and I want a little more time, and certainly some more materials, before I can pledge my support to this proposition. My Honourable friend Mr. Kelkar has referred to the correspondence that I had with the Honourable the Financial Commissioner with regard to certain notes. Well, Sir, I never expected the high and mighty officials of Government to oblige a humble Member like myself with the papers that I wanted, but I very much suspect that the papers, if produced, would go against their case. And how can you expect me to support this proposition in such a frame of mind, until and unless you produce those papers and convince me that the papers contain nothing against your case ? Sir, I have no intention of taking up any more time of the House on this motion, but I think I have reserved to myself the right of dealing with the merits of the proposition if this motion fails.

**Mr. G. G. Sim :** Sir, I hope that the House will not for a moment consider the motion which has been put forward. This proposal is not a new proposal. It is a proposal which had been before this House for the last five years ; it is five years since it was put forward by the Acworth Committee. It is more than a year since this House agreed to carry into effect the main proposal of the Acworth Committee for the separation of the railway finance from the general finances of the country, and this is merely a consequential result of that Resolution. It is more than three months since all the papers were placed before the Standing Finance Committee and fully discussed with them, and they unanimously agreed to the proposals. The only argument that has been put forward to-day for the postponement of this discussion is that Mr. Neogy has asked for certain papers which are referred to in the note of an officer, Mr. Mitra, who was deputed to work out these proposals. That note, I may explain to Mr. Neogy, is a note on a Secretariat file.....

**Mr. K. C. Neogy :** It is a printed note submitted to the Railway Board.

**Mr. G. G. Sim :** It is a note on the Secretariat file.

**Mr. K. C. Neogy :** Every note is on the Secretariat file.

**Mr. G. G. Sim :** It is a note on a Secretariat file and such notes are never put forward as a public document. The papers which I have placed before the Standing Finance Committee contain a complete statement of the views of the railway authorities, the Finance Department

and the Auditor General, and there is no point on which either Mr. Kelkar or Mr. Neogy or any other Member of this House wishes to have information that my colleagues and I are not prepared to answer.

**Khan Bahadur W. M. Hussanally** (Sind : Muhammadan Rural) : May I inquire whether Mr. Jukes has reported against the scheme ?

**Mr. G. G. Sim** : No. He did not report against the scheme.

**Mr. President** : The question is :

“ That the consideration of this Resolution be adjourned till the next Delhi Session of the Assembly.”

The Assembly divided :

# AYES—38.

Abhyankar, Mr. M. V.  
Bhat, Mr. K. Sadasiva.  
Chetty, Mr. R. K. Shanmukham.  
Das, Mr. B.  
Datta, Dr. S. K.  
Duni Chand, Lala.  
Dutt, Mr. Amar Nath.  
Govind Das, Seth.  
Hans Raj, Lala.  
Hussanally, Khan Bahadur W. M.  
Iyengar, Mr. A. Rangaswami.  
Joshi, Mr. N. M.  
Kazim Ali, Shaikh-e-Chatgam Maulvi  
Muhammad.  
Kelkar, Mr. N. C.  
Lohokare, Dr. K. G.  
Majid Baksh, Syed.  
Malaviya, Pandit Madan Mohan.  
Misra, Pandit Harkaran Nath.  
Murtuza Sahib Bahadur, Maulvi Sayad.

Mutalik, Sardar V. N.  
Naidu, Mr. M. C.  
Narain Dass, Mr.  
Nehru, Dr. Kishenlal.  
Nehru, Pandit Motilal.  
Nehru, Pandit Shamlal.  
Neogy, Mr. K. C.  
Phookun, Mr. Tarun Ram.  
Ramachandra Rao, Diwan Bahadur M.  
Ranga Iyer, Mr. C. S.  
Ray, Mr. Kumar Sankar.  
Reddi, Mr. K. Venkataramana.  
Sarfraz Hussain Khan, Khan Bahadur.  
Singh, Mr. Gaya Prasad.  
Sinha, Mr. Ambika Prasad.  
Sinha, Mr. Devaki Prasad.  
Sinha, Kumar Ganganand.  
Venkatapatiraju, Mr. B.  
Yusuf Imam, Mr. M.

# NOES—59.

Abdul Haye, Mr.  
Abdul Mumin, Khan Bahadur Muhammad.  
Abdul Qaiyum, Nawab Sir Sahibzada.  
Abul Kasem, Maulvi.  
Ahmad Ali Khan, Mr.  
Ahmed, Mr. K.  
Aiyer, Sir P. S. Sivaswamy.  
Ajab Khan, Captain.  
Akram Hussain, Prince A. M. M.  
Alimuzzaman Chowdhry, Khan Bahadur.  
Ashworth, Mr. E. H.  
Ayyar, Mr. C. V. Krishnaswami.  
Badi-uz-Zaman, Maulvi.  
Bajpai, Mr. R. S.  
Bhore, Mr. J. W.  
Blackett, The Honourable Sir Basil.  
Bray, Sir Denys.  
Burdon, Mr. E.  
Carey, Sir Willoughby.  
Chalmers, Mr. T. A.  
Chartres, Mr. C. B.  
Clow, Mr. A. G.  
Cocke, Mr. H. G.  
Cosgrave, Mr. W. A.  
Crawford, Colonel J. D.  
Dalal, Sardar B. A.  
Dumasia, Mr. N. M.  
Fleming, Mr. E. G.  
Ghazanfar Ali Khan, Raja.  
Ghulam Bari, Khan Bahadur.

Gordon, Mr. E.  
Gordon, Mr. R. G.  
Graham, Mr. L.  
Gurner, Mr. C. W.  
Hira Singh Brar, Sardar Bahadur Captain.  
Innes, The Honourable Sir Charles.  
Kasturbhai Lalbhai, Mr.  
Langley, Mr. A.  
Lindsay, Sir Darcy.  
Lloyd, Mr. A. H.  
Macphail, Rev. Dr. E. M.  
Maguire, Mr. L. T.  
Mehta, Mr. Jamnadas M.  
Mitra, The Honourable Sir Bhupendra  
Nath.  
Muddiman, The Honourable Sir Alexander.  
Muhammad Ismail, Khan Bahadur Saiyid.  
Panduranga Rao, Mr. V.  
Purshotamdas Thakurdas, Sir.  
Roy, Mr. G. P.  
Sadiq Hasan, Mr. S.  
Samiullah Khan, Mr. M.  
Sim, Mr. G. G.  
Singh, Rai Bahadur S. N.  
Stanyon, Colonel Sir Henry.  
Sykes, Mr. E. F.  
Tonkinson, Mr. H.  
Vijayaraghavacharya, Diwan Bahadur T.  
Webb, Mr. M.  
Yakub, Maulvi Muhammad.

The motion was negatived.



**Mr. President :** The House will now proceed to the general discussion of the Resolution.

**Mr. C. B. Chartres** (Associated Chambers of Commerce : Nominated Non-Official) : Before I apply myself to the general Resolution I have first to ask myself if the present position is satisfactory. I think the Aeworth Committee gave us to understand that it was not and I think that the organisation, as one knows it from a business point of view, is not such that we can expect the very best results from it when it is compared with up to date business organisations on a similar scale. There is one very important analogy which one can draw between the organisation of the railways in India and a large commercial undertaking. I refer to the United States Steel Corporation of America. That is a public company with a total capital including ordinary preference and debentures of a rather higher sum than the total capital of all the State Railways in India and it covers a vast amount of ground with huge works in different parts of the country in a way very similar to the railway system in India. Consequently the analogy is very apt. That organisation in America does not have a central account and audit system as prevails here. It delegates very large powers to all its works in different parts of America and not only is the audit separate from the accounts service but it has such a very correct costing system that by the tenth of each month they have in the central office of that organisation a complete record of the actual costs for the previous month of the whole of the works all over America. Now, Sir, if you compare that state of affairs with what happens in India to-day on the railways and their workshops you will find an enormous difference. So long ago as five years the Indian Stores Purchase Committee complained that they could not get an accurate figure of costs from any of the Government workshops and I believe that is still the position to-day. Can the people who oppose this Resolution say that this is a satisfactory state of affairs ? Personally it seems to me a very serious matter indeed and in my opinion the organisation now proposed in this Resolution will enable the local accountants to make very much better arrangements for the whole of the accounting work of the railway than is now the case and I hope that the experiment will so succeed on the East Indian Railway that it will be extended throughout India at a very early date. The question of the cost of this experiment, I am quite sure, is a very small one because the leakage and the faulty allocation of charges that must be going on at the present moment will probably amount to very much more than the small extra charge entailed by the system now proposed. I do not know what any commercial undertaking would consider if it had to wait as Mr. Sim has told us the railways wait for several months before they can find out the cost of any part of the work done by them. The whole tendency of modern commercial concerns is to perfect their accounting departments and ensure very accurate costing. Now, my experience has been that auditors are not the best agency for instituting an accurate costing system. The man who is in the best position to prepare commercial cost accounts is one with experience of the commercial side of the business, and then the auditor comes along to tell him if he has included everything in his costs that was necessary. The cost accountant is a specialist who will arrange the accounts of an undertaking and get them out to show to the best advantage what the undertaking is really costing and

from my own knowledge of the railway accounts as they stand at present I say definitely that this cannot be done in a satisfactory manner. I think that the organisation of audit and accounts now proposed will enable a vast improvement to be made in the direction of more accurate accounting and I therefore support the Resolution very strongly indeed.

**Mr. A. Rangaswami Iyengar** (Tanjore *cum* Trichinopoly : Non-Muhammadian Rural) : Sir, I desire to point out

4 P.M.

only a few difficulties that are bound to arise by the acceptance of the Resolution now before the House. I subscribe readily to the proposition that in every administration, whether public or private, audit should be separated from accounts and I certainly would have subscribed to this Resolution except for the fact that the principle upon which it is based violates the fundamental position that we the Assembly and the Government of India occupy in regard to railway revenue and railway expenditure. I find, Sir, in the note on the question of the improvement of audit of railway expenditure, the later note as I take it, of Sir Frederick Gauntlett on this question,—first paragraph says this :

“The primary function of audit in its application to the accounts of railway transactions is to safeguard, firstly, the responsibilities of the Secretary of State under the Government of India Act, and, secondly, the rights of the people of India to receive from the Railway Board the sums due to the Government of India under its convention with the Railway Board when it was agreed to separate railway finance.”

The House will recollect, Sir, that when the separation of railway from general finance was effected this Assembly made it perfectly clear that it did not in any sense relinquish the fullest control which it possessed over the accounts as well as the audit of railway expenditure and the grants made to Railways by this House. Therefore, Sir, if the audit of the Auditor General is to be restricted only to the question as to the rights of the people of India to receive from the Railway Board the sums due to the Government of India under its convention with the Railway Board, the sole work of the Auditor is confined not to the regular audit of receipts and expenditure in the railways concerned, but only to the question as to whether the balance sheet of each of these railways is properly prepared, whether the profits are properly realised and whether the sleeping partner, as the Government is called, has secured its proper share of the profits. I say, Sir, however it may be in a contract between the railway companies and the Government, the position, so far as the State Railways are concerned, is perfectly clear,—that this House has the right and the duty to sanction every expenditure and has also the right to scrutinise the revenue received from the railways of this country. Therefore, Sir, in considering the question whether the Auditor General should exercise merely the powers of an outside auditor in respect of the balance-sheet on the revenue and expenditure of State Railways, we should not, merely because we have entered into a convention for the separation of railway from general finance, leave the railways free to carry on their own accounts and to have their own internal audit. What is the position in this respect is by no means clear from the Resolution now before us. On the other hand, clause (b) of the Resolution of the Honourable Mr. Sim says :

“The accounts staff under the Financial Commissioner of Railways shall perform duties practically identical with those hitherto undertaken on State-worked railways by the accounts and audit staff under the Auditor General.”

[Mr. A. Rangaswami Iyengar.]

Therefore, Sir, it is not merely the keeping of the accounts of the railways but the inside audit, what is called the internal check, the work done by the chief auditors of these railways, that is left free in the hands of Railway Administrations. Sir, when the Public Accounts Committee was dealing with the accounts of the railways, a proposal was put before the Public Accounts Committee in regard to the necessity for making the chief auditors who maintain and pre-audit the accounts of the Company-worked Railways independent of the administrative heads of the Railways, so that they may not be in a difficulty in so far as scrutiny of the expenditure is concerned. As a matter of fact, Sir, the matter was taken up by the Public Accounts Committee in 1921-22 when the Auditor General drew the attention of the Committee to the fact that most of the irregularities are found on State Railways, from which he inferred that as the auditor was not independent of the agent in companies' lines, fewer irregularities were brought to light. After discussion the Committee, while not prepared to express a definite opinion in the matter, desired it to be stated that the question of the auditor being independent of the agent was one that deserved consideration. Therefore, Sir, the Railway Board as well as the Finance Department pursued this matter further and there was a memorandum placed before the Public Accounts Committee this year to the effect that, however desirable it might be to make the chief auditors independent of the Agent, we were not able to insist upon this being effected thoroughly satisfactorily so long as the existing contracts with the private companies continued. The result is that so far as the audit, internal check as it is called, in the company lines is concerned, we are still in a very unsatisfactory position.

Now, Sir, let us see what would be the position in regard to the State lines if the Resolution of the Honourable Mr. Sim was carried? Sir, we have been told that Mr. Sim occupies a dual position. In one sense he is supposed to be independent of the Railway Board; he is supposed to be the watch dog of the Finance Department, as he is often called. He is supposed to represent the Finance Member. At the same time, he is a Member of the Railway Board. He is the financial advisor of the Railway Board and therefore to that extent he participates in every act of the Railway Board. He answers questions relating to railway administration in this House. He defends the Railway Board here in every respect and he is identified with the programme and policy of the Railway Board in this House. Therefore, so far as Mr. Sim is concerned, he is not in that position of independence which we very much want the chief auditors in private company lines to be in. He does not possess that independence notwithstanding the fact that in certain matters he is under the Finance Member and he can always go to the Finance Member by way of protesting against the action of the Departments concerned, and probably he may find the Finance Department supporting him. But, Sir, however capable Mr. Sim may be to fill this dual position of Jekyll and Hyde, it may not be that Mr. Sim's successor will occupy the same position. He will then either revert to the position of being a thoroughly independent man, in which case we may gain, or he will be a thoroughly subservient man, a man who is the handmaid of the Railway Board. (Loud laughter.) Well, it does happen very often that a maidservant's duties are done by a man.

Therefore, Sir, we cannot, merely because of the fact that Mr. Sim is able to take on his broad shoulders all these functions, found any principle or any programme or policy thereupon.

Then, Sir, the other question is the question of internal audit. I say, Sir, that under the Statute, the Auditor General has the fullest powers of prescribing any form of accounts and any form of internal audit or check of accounts. Under the rules framed by the Secretary of State, the Auditor General has the power, if he chooses or if he thinks it necessary, to audit the whole of the accounts,—to pre-audit as well as to post-audit. That power cannot be circumscribed, and it would be most inadvisable to circumscribe the Auditor General's powers by any Resolution we may pass to-day. Therefore, Sir, I consider that in this matter, so far as the provision of this check is concerned, it is not merely the Railway Standing Finance Committee that has to be consulted; it is also, I take it, the General Finance Committee, and also if possible, the Public Accounts Committee. I say so, Sir, because I think that the audit and the scrutiny of expenditure in the Railway Department is as much a matter of concern to the general tax-payer as the audit and scrutiny of expenditure in other civil departments under the Central Government. So far as that is concerned, Sir, I think the General Standing Finance Committee had a right to be consulted, and the Government had no business to base their proposals merely on the fact that the Standing Finance Committee on Railways has recommended this.

Then, Sir, the present state of the accounts of the Government of India and the manner in which they are presented to this House has been a matter of much investigation in the Finance Department. It is more than a year ago that the Auditor General was asked to frame proposals with a view to improve the system of accounts by which the accounts could be presented to this House in such a way that the scrutiny of this House might be more real and the report of the Auditor General more interesting and more useful to this House than it has been so far. Such a report has been made and in that connection certain proposals have been made in regard to the central revenues. I say, Sir, we must be in a position to examine also from this point of view railway expenditure as well as revenues; and therefore it will not do for us to vote for this Resolution blindly. I am not, Sir, against making any experiment in regard to finding out which is the best system by which this audit of expenditure on railways could be scrutinised, internally as well as externally; but I say, Sir, if the experiment has got to be made, it may be made and the matter may be reported to the committees duly; but I object to the Government asking this House to accept the principles embodied in this Resolution altogether and then merely to wait for the results of the experiment that will be carried on in one railway after another. We know what will happen. This thing will go on and the expenditure will mount up and we will be asked to take it up in one railway after another. They have started it already on the East Indian Railway and there are proposals to extend it to the Great Indian Peninsula Railway. I say, Sir, that the whole question of the principles involved in this Resolution is a matter for this House as a whole when dealing with railway expenditure in the same way as it deals with general expenditure, and I submit, Sir, nothing will be lost by adjourning this and having this matter dealt with in the Delhi Session fully.....

**Mr. President :** Order, order; the Honourable Member knows that the adjournment motion has been lost.

**Mr. A. Rangaswami Iyengar :** Sir, I know that that motion has been lost. I am making my observations with a view to induce the Government to wait for some time more—I know that the adjournment motion cannot again be reintroduced in this House. I am therefore appealing to the Government to see that they do not commit this House to the principle, although they may be permitted to carry out this experiment. I think I am making a perfectly reasonable proposal and I feel therefore that, having regard to the very large issues of finance, audit and accounts that are involved, the Government should readily assent to the proposal that I am now making.

**Maulvi Muhammad Yakub (Rohilkund and Kumaon Divisions : Muhammadan Rural) :** Sir, I rise to lend my support to the Resolution proposed by the Honourable Mr. Sim. There cannot be two opinions that the present system of railway accounts is subject to serious objections. As a matter of fact, Sir, we find that on account of this present system of accounts huge frauds and misappropriation of public property was going on in the Stores Department of the Oudh and Rohilkhand Railway for, I think, about twelve or fifteen years ; and although these accounts were audited every year by the Auditor General this misappropriation was never detected by him till at last only two years ago it was detected by some police agency and not by the Auditor General. A number of men were prosecuted ; some of them were convicted and some of them were acquitted ; but up to this time even the Railway Board have not been able to find out who was the real culprit and who was the really guilty man. A departmental inquiry was instituted subsequently and some people, without any charges being framed against them and without any explanations being taken from them,—very old servants of the railway—fell victims to suspicion. This was all on account of this present system of accounts. It has been said that the Auditor General wants to improve the system. I say, Sir, this system was in vogue for I do not know how many years, perhaps for the last 20 or 25 years. If they could not make any improvement during all this time, what is the hope that any improvement will be made if this system is carried on for some time more ? All the Honourable Members who have spoken on the other side have in a certain manner admitted that the present system is a faulty system and that it is open to objections ; but they say, " Wait." Now Sir, when you have found out the malady, it is high time that it must be remedied as soon as possible. This system of keeping separate accounts has been proposed and suggested as a remedy for the present malady. I say, " Why do you postpone it ? Why should you not apply the remedy at once and give a trial to this system also ? " If after a trial of ten or fifteen years you find that this system does not prove successful you can abolish it. But there is no reason why a system which, we all admit, is open to serious objections should be continued and why we should wait. In my opinion under the proposed system of separating the accounts and audit there will be somebody who will be responsible for it. Now, when this fraud on the Oudh and Rohilkhand Railway was found out, the P. W. D. said, " We are not responsible for it ; the accounts were kept by the Auditor General and they audited it every year." The Auditor General's Department says, " We are not responsible for the stores ; we are responsible only for putting the accounts on paper ; the P. W. D. is responsible for the matter." This, Sir, is the special fault of the present system. I say,

separate the accounts and make somebody responsible for the accounts ; this will minimise the chances of misappropriation and if misappropriation does take place we will be in a better position to find out who are the really guilty men instead of dismissing people on mere suspicion. On these grounds, Sir, I support the Resolution.

**The Honourable Sir Basil Blackett :** Sir, I am very anxious to carry the House with me and with the Government in this improvement in our financial system. I am very anxious that the House should not feel in any way that it has been rushed or that this matter has been insufficiently examined. I agree with almost every word that was said by Mr. Rangaswami Iyengar in regard to the principles of the proposed Resolution ; but what I could not understand was why he drew exactly the opposite conclusions to those which I have tried to draw from the principles of the Resolution. The great merit of this change, if it can be successfully introduced—and remember we are still only experimenting with the introduction—the great merit to my mind is that it does give you an absolutely independent audit. It does not for a moment take away anything from the existing powers of the Auditor General or the powers given to him under the Statute. On the other hand it gives him very much better opportunities of exercising them effectively. That is the first principle on which this reform is founded.

The second principle is that you will get much better control over expenditure within the department if you have officers within that department who are themselves responsible up to a point for the accounts. We are not proposing to make the Railway Department responsible for their accounts ; we are proposing to make the Financial Commissioner with a staff under him—that staff being responsible ultimately to the Finance Department—responsible for the accounts of the railways. The result of that will, I think, almost necessarily be that you will have both your accounts kept better and your audit better carried out. Mr. Rangaswami Iyengar objected that it was not for the Finance Department but for the Auditor General to determine the form of accounts. I entirely agree and that is one of the proposals which is here involved ; the form of accounts will remain under the charge of the Auditor General. That is one of his statutory functions.

**Mr. A. Rangaswami Iyengar :** And the methods of audit.

**The Honourable Sir Basil Blackett :** The methods of audit will be entirely in the hands of the Auditor General ; he will not in any way be influenced by the difficulties which he sometimes finds at present of combining the work that he likes to do as Auditor General with the work that he has to do as Accountant General. In his capacity as Accountant General he is not entirely independent ; in his capacity as Auditor General he is absolutely independent, and the existence of those account functions has in my view to some extent detracted from the completeness of his independence. Under our new proposals that independence will be absolutely complete and he will be able to supplement the energetic action of this House in keeping my friend Mr. Sim in order.

Now I am very anxious that the House should not feel that it is being pushed in a direction in which it has not thoroughly explored the ground. I would like to point out that it is exactly for that reason that we have not to-day simply brought forward the supplementary estimate.

[Sir Basil Blackett.]

If the supplementary estimate had been brought forward, as it stood, I believe that we should probably have had a very short discussion and money would have been voted, and the House would not have been in a good position, as it is now, to know what we are doing. The reason why this Resolution is brought forward is because the Standing Finance Committee for Railways specifically asked that this course should be taken, they specifically requested that this should be done, and they did this, in view of the statement made by me in the March Session that before we finally committed ourselves to the policy of separation of accounts from audit, full opportunity would be given to this House to examine the whole situation. We are not finally committing ourselves at the present moment to separation of accounts from audit. I have been very anxious in this matter that we should proceed by experiment, because there is a great deal to be learnt by experiment, before we can arrive at definite conclusions. In this case, this is also an experimental measure, but the Resolution is brought forward, because it does certainly commit the Government to going ahead with experiments in this particular direction, and if successful, no doubt continuing in that direction.

Now, Sir, I have only one more thing to say, I do not want to intervene further in the debate or to discuss the whole question of separation of accounts from audit in its general bearing. All we are dealing with here is this special case. But I would like to say that the experiments that have been conducted in other directions during the course of the last year or 18 months have yielded remarkable results. They have, I may inform my Honourable friend Mr. Neogy, entirely dissipated the preliminary doubts of the Auditor General as well as of the Acting Auditor General. I have personally wished to reserve my final judgment until I have seen more of the experiments. But I have very little doubt that they are on the right lines. There is one rather unfortunate experience. We started an experiment at Bangalore in the separation of accounts from audit, and one of the first results discovered by the Auditor General, when he was free to do his own duty, was that about four lakhs a year had been paid by the Madras Government since 1921 for pensions, which ought to have been paid by the Central Government. I do not know whether from a narrow stand point that is for me a recommendation in favour of the change, but it does show that when the Auditor General is free to do his proper job, he very quickly gets on to mistakes that might continue quite indefinitely when the internal check and the external audit are in the same hands. I have intervened in this debate because I want to assure the House that this is an experiment in which we are all very much interested, and that we are not trying to rush the House to committing itself before the thing has been fully explored.

**Mr. B. Venkatapatiraju** (Gunjam *cum* Vizagapatam : Non-Muhamadan Rural) : Sir, we are thankful to the Honourable Sir Basil Blackett for declaring that by passing this Resolution we will not be committing ourselves to the policy of the separation of accounts from audit. But I have to offer a few observations with reference to what fell from the Honourable Sir Basil Blackett that he is not depriving the Auditor General of his powers by this Resolution. I may invite his attention to the



fact that under the Government of India Act,—the rules framed thereunder were subsequently amended by No. 917, F. G., dated 11th May, 1922,—under the Government of India Act, the Auditor General is regarded not only as the administrative head of the Indian audit which he was before, but he is regarded as the head of the accounts service also. ....

**The Honourable Sir Basil Blackett :** I did not say that we were not reducing the Auditor and Accountant General's functions. It is quite another matter. My point was that, as Auditor General, we were not only not taking anything away from him, but we were adding very much to his capacity for carrying on his function.

**Mr. B. Venkatapatiraju :** Under the present law the Auditor General is not only the administrative head of the audit department but also of the accounts department. When we refer to what was discussed in the Public Accounts Committee, we noticed some time back that the Government of India had an idea of taking a reverse course, because when they found that the accounts kept by the company-worked lines were not being properly checked, their suggestion was that the auditors employed by private companies should be independent of the directors. That was the view expressed by the Government of India, and they wanted to induce the company lines to have their own audit department independent of themselves. But on account of some technical objections raised as to whether the Government of India could interfere in the matter under the existing contracts, the proposal was not pursued further. But in the very document supplied by Mr. Sim, we find that in paragraph 37 of the Standing Finance Committee's proceedings for railways, this is what occurs :

“ Two questions suggest themselves naturally at this stage—is it not possible for an outside and independent auditor, working in the Railways, to look at financial questions from the railway point of view also, and to co-operate with and assist the administration ? And if this is possible, why duplicate the work by a superimposed audit, which must mean extra cost, and which at best cannot be as effective in the prevention of irregularities and wasteful expenditure as the preliminary audit ? These points have been dealt with exhaustively by Mr. Jukes and the Auditor General in printed notes which have been submitted to the Railway Board.”

Now this document the Government are not prepared to place before us for reasons best known to themselves.

**The Honourable Sir Basil Blackett :** I should be very glad to place that document before the House if it will interest them. It is a polemic answer, I understand, on a polemic issue, and such documents, we do not care to place before the House. I had not heard of this matter until this morning, but I should be very glad to put it before the House. But if I may be allowed to do so, I should like to examine it in order to avoid putting before the House some needless polemics contained in it between two departments as regards particular points raised. But I can assure the House that the document is strongly in favour of the separation of accounts from audit.

**Mr. B. Venkatapatiraju :** But unfortunately I read quite a contrary statement to what is made here. What is stated is that :

“ These points have been exhaustively dealt with by Mr. Jukes and the Auditor General ”

—perhaps another officer—

“ in the printed notes which have been submitted to the Railway Board. The answer to the first question has been held to be in the affirmative.”



[Mr. B. Venkatapatiraju.]

That is, Mr. Jukes and also the Auditor General found that if they avoid pre-audit it would increase irregularities and wasteful expenditure.

**The Honourable Sir Basil Blackett :** No.

**Mr. B. Venkatapatiraju :** The answer to the first question has been held to be in the affirmative. Now what is the question :

“ Is it not possible for an outside and independent auditor, working in the railways, to look at financial questions from the railway point of view also, and to co-operate with and assist the administration ? ”

**The Honourable Sir Basil Blackett :** It is possible.

**Mr. B. Venkatapatiraju :** I am told that my Honourable friend is ready to place the document before us. We are only concerned with what Mr. Jukes and the Auditor General have stated. I may just tell Sir Purshotamdas Thakurdas, who is anxious to defend the Acworth Committee... (*Sir Purshotamdas Thakurdas :* “ I have not spoken on it at all yet, Sir.”) Yes, Sir Purshotamdas has referred to it ; he said the Acworth Committee had recommended this and so we could accept it. And Mr. Sim also stated that he based his Resolution on the recommendation of the Acworth Committee. This question was not specifically dealt with. This is an *obiter dicta* of the Committee. (*A Voice :* “ No, no.”) Yes. The witnesses were not asked any questions about it. No reference was made to it in cross-examination of officers of the audit department. No witness was specifically asked nor did any person, not even Mr. Tomkins, Secretary of the Railway Board, who was examined, state anything. The only statement there is that they prefer that the Audit Department and the accounts should be separated and the accounts should not be under the Finance Department but under the Railway Department. That was what was recommended by the Acworth Committee. But the present proposal is quite contrary to what was recommended by the Acworth Committee. What the Acworth Committee said was :

“ But the accounting staff controlling the Indian railways, from the Accountant-General (Railways) at Delhi down, in the case of the State-managed railway, to the latest joined clerk in a local office, are officials, not of the Railway Board, but of the Finance Department. No doubt these officials gradually get to see the railway point of view, but they must be guided by rules laid down by the Finance Department, framed largely in view of the requirements of the non-commercial departments of Government.”

They want that it should not be placed under the Finance Department but under the Railway Department. That is the recommendation of the Acworth Committee. Now, I ask whether this proposal is at all in conformity with the recommendation by the Acworth Committee. On the other hand, just contrary to what was there recommended, you want to place it under the Finance Department. Subsequently also this was brought before the Inchcape Committee, of which Sir Purshotamdas Thakurdas was an honoured member. And there it is stated, on page 164 :

“ The Auditor General informed us that an attempt had previously been made to separate audit and accounts, but that the experiment broke down as a result of the present system under which payments are audited before they are brought to account. In our opinion, in view of the constitutional difficulties arising under the Reforms Scheme from the fact that a Provincial Government can require the audit and accounts department to maintain an account for which the Central Government pay, it is desirable to re-open the question of the separation of the audit and accounts.”

They want to say with reference to this that it should be considered and inquired into. Now, I can very well understand that all persons who have any administrative experience of public bodies know how we come under the criticism of auditors. I know as chairman of a municipality for a number of years, what objection there is to their supervision ; we feel it a nuisance to be corrected at every step. Similarly you want to get rid of these things. Now, I find that even in America the question has come up and they consider that it is absolutely necessary to have pre-audit to avoid waste. I will read just one sentence to show that even in America they thought it necessary to have what under the present Resolution you want to avoid—namely, pre-audit. Writing in "Form and Functions of American Government" Mr. T. H. Reed says :

"The California board, which may be taken as fairly typical, has established a system of pre-audit by which the requisitions of every institution and department must be approved by the board of control before supplies may be ordered or contracts made. Very notable economies have been secured as a result of this supervision."

Now, my simple point is this. Do you want or do you not want pre-audit ? Do you want expenditure made in conformity to rules or against the rules ? You want to avoid pre-audit. (*A Voice* : "No, no.") I say definitely you want to avoid pre-audit. If Sir Basil Blackett says that pre-audit by their own men is allowed, I say that is not pre-audit at all. I want pre-audit from a body independent of the spending department. It is suggested that it would increase wastage and expenditure. Now, we all know post-audit. The advantage of post-audit is that you go and find out whether they have committed any mistake. But only by pre-audit will all the proposals and details be placed before them and then they will know it thoroughly ; they can check it and carry out the functions of higher audit. If an officer like Mr. Sim makes a mistake, immediately the auditor will point out that it was not covered by the rules. Whatever his position may be, he must conform to the rules. If it is your own clerk, you say : "Keep quiet, I will pass the order." Now my friends are under the mistaken impression that there will be a pre-audit as before even after this is accepted. But I submit there is no such possibility. Mr. Sim or somebody might say : "Don't bother about that." And then their auditing clerks will not press it. Now, I submit this is an important matter ; this not only concerns the Railway Department but the expenditure under the Imperial Government as well as the Provincial Governments. We have got a pre-audit system. If you once abolish your pre-audit system by an independent body, you are creating a dangerous innovation. And I may also state that you have also begun another experiment in appointing one officer in the customs office. Now these experiments are only gradually to extend the principle of avoiding outside control. When you once spend the amount, generally we know how we condone irregularities. We may pass a reprimand but we will not recover the amount. In the municipalities of the Madras Presidency when any irregularity is committed the Government impose a surcharge. Are you prepared to impose a surcharge on Mr. Sim that, whenever he commits an irregularity, it must be recovered out of his own pocket ? I will only read one more extract—from an Indian paper like *Capital* which also condemns it. In April 1925, it said :

"This is not at all worthy to be pursued", and so on.

That is a commercial paper, represents commercial interests and it condemns this proposal. And therefore I appeal to all Honourable Members

[Mr. B. Venkatapatiraju.]

that this is an important matter bringing in an innovation to avoid pre-audit by an independent body and I hope that none of them will commit himself to any such dangerous thing which in course of time will prove very harmful to the interests of the country.

**Mr. Jamnadas M. Mehta** (Bombay Northern Division : Non-Muhamadan Rural) : Sir, it is with very great hesitation (*Cries of "Hear, hear"*) that I rise to support this proposition—not because I am not convinced of the absolute wisdom of the step which is proposed in the Resolution but because I find my great leader, Mr. Kelkar, and the Honourable Mr. Neogy are not yet fully persuaded of its necessity. I really find myself unable to understand their pathetic faith and their touching confidence in the existing system. What is it at best?—a mere brake. In all the literature that I have read about it I find that it is supposed to be a very efficient machinery for preventing waste and extravagance. That is about all.

Sir, I do not say that it has succeeded in doing so, but that is the greatest result that can be achieved by continuing it. I submit, Sir, that the railways as commercial bodies, are not concerned merely in preventing waste and extravagance, although that is one very important part of their activities. They have other functions besides, and it is these functions which the present system of accounts will not and cannot bring into existence. That has been conclusively established by the Acworth Committee in the paragraphs quoted in the Memorandum of the Railway Board. If you commercialise the railways, the Agents must be in a position closely to watch the expenditure from day to day, chase every rupee that has gone out of the railway treasury, to find out where it has gone and how it is working, and thus to evolve in course of time, by employing commercial as against budget methods, a system of accounting which exists in commercial bodies, but which it is impossible to have under the present rigid system (*An Honourable Member* : "Why?") which has to conform to the budget form of accounting and has little or nothing to do with the business side of the working of the railways. Prevention of waste is equally possible, and even more possible, in the proposed system. Let us see how the present system works. Supposing there is a lakh of rupees to be paid for buffers. A bill is presented. Under the present system they will find out whether delivery is given, then whether it is within the sanctioned amount, then whether it is to be debited either to capital or to revenue. All these tests are employed before payment. Very well. But once that is done it is not the business of the accounts and audit staff to see how the expenditure will affect the financial working of the railway concerned; when the Department which keeps the accounts also audits them, the super-audit is bound to be less exact than it ought to be. The existing pre-audit makes the super-audit nominal; the proposed system will make both the pre-audit and post-audit equally searching because each is done by separate organisations.

**Mr. B. Das** : You do not want pre-audit?

**Mr. Jamnadas M. Mehta** : There will be pre-audit.

**Mr. A. Rangaswami Iyengar** : There are more irregularities in the State Railway Companies' accounts than in Company-managed Railways.

**Mr. Jamnadas M. Mehta :** Then support this proposition, because practically the same system prevails in the Company-managed Railways as we are now proposing.

**Mr. A. Rangaswami Iyengar :** No.

**Mr. Jamnadas M. Mehta :** Yes, Sir. Well, let me proceed. The Press campaign against this proposition has been singularly ill-informed and unfair. I will not be far wrong if I say that my Honourable friend Mr. Neogy is both the mother and father of this Press campaign. Sir, it has been said that the Financial Commissioner under whom the new accounts staff will work is not an independent functionary but only a railway officer and that by having this experiment we will be giving up the control of the Assembly into the hands of the Agent in the matter of accounts. Each of these propositions is incorrect as I shall attempt to show hereafter. Any Honourable Member who opposed the separation of railway finance from general finance would be logical if he made this complaint. But it should not be possible for any man who supported that separation to run away from its implications.

**Mr. N. M. Joshi :** What has that got to do with this?

**Mr. Jamnadas M. Mehta :** The implications of that separation are that the Railway Agent shall be primarily responsible for the accounts, because now we hold the Railway Agent responsible for the successful working of the Railway. He is responsible for making the Railways pay and we have laid it down that Railways shall earn a certain percentage over the capital invested in them. If you expect the Railway Agent to give you a certain return over the capital, then certainly he is entitled under the control of the Financial Commissioner to see from day to day how the accounts are being kept and whether they cannot be kept in a different manner. It does not affect the control of the Assembly in the least. The point was discussed in the Standing Finance Committee for Railways and it was unanimously agreed by that body that the Assembly's control would remain unaffected first through the Financial Commissioner and secondly through the Standing Finance Committee which is elected by this House.

My Honourable friend Mr. Raju referred to two questions raised in Mr. Mitra's note : (1) whether the same thing which we propose cannot be done under the existing system, and (2) whether the expenditure would be justified. The reply to the first question was that it could be done under the present system. But greater emphasis is laid on the reply to the second question. Sir, the observations of Mr. Mitra are entitled to the greatest weight in this matter. He says :

"The answer to the second question is that undoubtedly audit will be considerably improved in efficiency, both by being more independent...."

(An Honourable Member : "How?") Because the man who audits is not the same as the man who keeps the accounts.

**Mr. Chaman Lall :** Yet he is under the Agent.

**Mr. Jamnadas M. Mehta :** No. To-day, the man who keeps the accounts is also the man who audits them. It is not so in the proposed system.

**Mr. Chaman Lall :** Is he not under the Agent?

**Mr. K. C. Neogy :** In future, test audit will be of 15 per cent.

**Mr. Jamnadas M. Mehta :**

"...when it is absolutely uncontrolled by the executive, and by being enabled to devote more attention to its higher functions of preventing wasteful and extravagant expenditure, when it is relieved of the numerous mechanical processes of check which it has to exercise at present. An officer, whose primary and bounden duty is to criticise the work of others from the point of view of the tax-payer and to watch on behalf of the Secretary of State that the orders restricting the financial powers of authorities in India are duly observed in every case, loses much of his independence, even without owing allegiance to the Railway Department, when in addition to his duty as a critic he has to see and administer financial rules from a railway point of view, to act as the Financial Adviser of the Railway Agent, and to give precedence to administrative considerations over financial rules and regulations."

**Mr. K. C. Neogy :** What about Mr. Sim, then ?

**Mr. Jamnadas M. Mehta :** This is what is being done now, and Mr. Mitra says that if you once remove the audit from these trammels, audit will be more independent and more efficient.

**Mr. Chaman Lall :** Under the Agent.

**Mr. Jamnadas M. Mehta :** The further observations of Mr. Mitra will be found on page 6. He says :

"An officer, who has not to undergo the mechanical processes of calculating, posting, totalling, carrying forward, reconciling, comparing signatures and so forth, except to check a small percentage of these processes and to test that they are being done correctly and efficiently, can do far more effective and intelligent review of expenditure in the direction of preventing waste and extravagance, than he would otherwise be able to do. Such an officer will undoubtedly repay...."

—this is an answer to the charge of extravagance—

"...will undoubtedly repay more than the cost of himself and his staff, if he is given adequate facilities and assistance in his work."

**Mr. Chaman Lall :** How does he know ?

**Mr. Jamnadas M. Mehta :** The whole of Mr. Mitra's report is replete with observations that the audit which is now proposed will be more independent, more effective, and therefore more desirable, and that in the long run the cost of the internal check will be reduced and so even this added expenditure may not be felt. That is what Mr. Mitra says.

Then let me come to the question of the independence of the Financial Commissioner, my friend Mr. Sim. Some people who have referred to this matter appear to have forgotten that under the new system the control that we have got to-day remains absolutely untouched, and that since the separation of railway finance from general finance, whatever control there was has been greatly expanded. That cannot be questioned. Sir, people talk without remembering what was said last year when the separation of railway finance was under consideration. I have in my hand a note of my friend Mr. Parsons, dated the 28th August, 1924, which was available to Honourable Members. He says that the Financial Commissioner will have the same powers to-day that the Advisor had before, and that in essentials the Agent is not so free or untrammelled as some people imagine. Mr. Parsons points out that Mr. Sim, i.e., the Financial Commissioner, will control under this system even the grant of an allowance to an employee, the addition of a clerk to an office and of course he will control large expenditure involving lakhs of rupees. In matters of difference of opinion with the Chief Commissioner of the Railway Department he has the right to refer

them to the Finance Member. He has also the right of free access to the Finance Member and all financial proposals are discussed before the initiative is taken, and whatever he taboos cannot be undertaken. All matters of major importance are discussed by him with the Finance Member in the initial stages. The independent control exercised is, therefore, much greater than before. Then the other advantage is that as Mr. Sim is associated with the Railway Board, he is in close touch with railway affairs and he knows at first hand what is being done and what is not being done. What is the use of our knowing months after the thing has been done, and when the horse has been stolen? To-day in enforcing that control the Financial Commissioner is helped by the Standing Finance Committee.

**Mr. K. C. Neogy :** Helped by Mr. Jamnadas Mehta.

**Mr. Jamnadas M. Mehta :** Yes, Sir, as a member of the Committee I am glad to help him and he deserves every help of the Standing Finance Committee. We have the greatest confidence in Mr. Sim, and if all Government Committees were run as he is running the Standing Finance Committee very little cause for complaint would remain. Well, Sir, the whole thing at the bottom is suspicion. Suspicion is writ large on the opposition which Mr. Neogy has engineered against this proposition—engineered because there is no foundation or justification for the opposition which he has been leading with great ability. The real test is this : does the House believe in the commercialisation of railways? If it does not, I will not ask it to support this proposition. But, Sir, Members of the House who believe in commercialisation will, I trust, allow the Agent the fullest liberty to keep and to control his accounts from day to day ; he would be further controlled by the Financial Commissioner in consultation with the Standing Finance Committee, and the House's control at the top remains absolutely untouched. As I said before, not even an allowance can be granted to an employee by the Agent without Mr. Sim's consent, and therefore the argument of the so-called independence of the Agent from Mr. Sim, i.e., from the Financial Commissioner, is absolutely unfounded.

One word more and I have done. It is unfortunate that the system of Government to-day is such as to arouse our suspicion in their *bona fides*. This is the greatest difficulty and it is because Government as constituted to-day excite our suspicion, that even when they do a good thing the suspicion continues. That is the real reason of the opposition to this motion ; but the proposed change in the system of accounts and audit exists in Belgium which is a self-governing country, where there is no bureaucratic system and where separation of railway finance has been carried out under a Statute and audit is being done exactly as is proposed in this Resolution. And what is being done in independent countries is certainly the right thing to do in this country ; why object to a good thing simply because it is being achieved through a machinery of which we are suspicious. (*An Honourable Member :* " We have not got self-government.") Will you reject a good thing and be better off because we have not got self-government ?

**Mr. K. C. Neogy :** Mr. Jamnadas Mehta has got self-government !

**Mr. Jamnadas M. Mehta :** This irrelevant interruption will not prevent me from giving my whole-hearted support to this motion because I

[Mr. Jamnadas M. Mehta.]

feel that Mr. Neogy and those who have engineered this opposition are absolutely innocent of the great merit of this proposition, and I further say that they have not cared to understand this question from the railway point of view.

**Mr. K. C. Neogy :** From Mr. Jamnadas's point of view.

**Mr. Jamnadas M. Mehta :** You can go on interrupting me, but you will not deter me for a single moment from supporting this proposition.

**Mr. President :** The Honourable Member has exceeded his time.

**Mr. Jamnadas M. Mehta :** The fault, as you will have observed, Sir, is not mine, but if you will permit me, I will wind up with one sentence. If the House wants to accept the position that railway finance should remain separate from the general finances, that the railways should be commercialised and that the State management of railways must be a success and not a failure, then, Sir, they have got no alternative but to try this experiment and watch the results until we can pronounce a final judgment on the scheme which is before the House. I have great pleasure in supporting the Resolution.

*Several Honourable Members :* I move that the question be now put.

**Mr. President :** Order, order.

Some Honourable Members have an idea that because they have put down amendments on the paper they have cast a duty on the Chair to look at them and call upon them. That is a mistaken view. That has never been the practice of the House under my predecessor, and I warn those Honourable Members who have put down amendments on the paper to rise in their places and try to catch the eye of the Chair in order to get a chance to move the amendments standing in their names. Otherwise they will lose their chance, in case they do not do so before the closure is moved and carried.

**Mr. K. C. Neogy :** On a point of personal explanation, Sir. My Honourable friend Mr. Jamnadas Mehta referred to me as having been the parent of the Press agitation that has been carried on against this proposition. (*An Honourable Member :* "Engineered.") Sir, I did not know that an Honourable Member of this House would make such an observation, when particularly I was not in my seat. I addressed an open letter to the Members of this House, and I am certainly responsible for the publication of that letter. But apart from that, a good deal has appeared in the papers criticising this scheme adversely. It is of course an index of the suspicious character of my Honourable friend's mind that he thinks that I am responsible for carrying on that agitation. Sir, I am not going to follow my Honourable friend, and I will not say what is being stated outside as to the actual motive which has actuated him in supporting the Government's motion to-day so vehemently.

**Mr. Jamnadas M. Mehta :** May I say a word in regard to what has fallen from my Honourable friend ?

**Mr. President :** There should be no explanation to an explanation. Such procedure is highly undesirable. Dr. Lohokare.

**Dr. K. G. Lohokare :** The amendment that I have given notice of runs as follows :

"That in clause (a) for all the words beginning with the words 'On each railway system' to the end of the clause the following be substituted :  
 'On each railway system, the head of the accounting staff will be directly under the orders of the Financial Commissioner. ....'"

**Mr. President :** Does the Honourable Member move the amendment as it stands ?

**Dr. K. G. Lohokare :** No. I am just coming to it.

**Mr. President :** I understand that Mr. Sim and the Honourable Member have agreed that the amendment should be in a modified form and the Government are prepared to accept it. If that is so, the Honourable Member may straight off move the amendment in that modified form agreed upon.

**Dr. K. G. Lohokare :** The amendment thus modified would run as follows :

'On each railway system the accounting staff will be under the orders of the Financial Commissioner of Railways for the purpose of appointment, transfer, promotion, etc.' "

That is the corrected amendment.

**Mr. President :** Promotions, transfers, etc. That is the wording.

**Dr. K. G. Lohokare :** Yes, Sir. That is the amendment in the modified form and agreed to by the Financial Commissioner of Railways. I need not explain these things in detail since my Honourable friend has already accepted the principle and all my Honourable friends know that this is desirable in the interests of the separation of the accounts and audit. I commend the amendment to the acceptance of the House.

**Mr. President :** Amendment moved :

"That in clause (a) for all the words beginning with the words 'On each railway system' to the end of the clause the following be substituted :

'On each railway system the accounting staff will be under the orders of the Financial Commissioner of Railways for the purpose of appointments, promotions, transfers, etc.' "

The question is that that amendment be made.

The motion was adopted.

**Mr. M. K. Acharya :** Sir, I beg also to move a small amendment :

"That at the end of clause (a) the following be inserted : "

—I will read the amendment as suggested to me by the Financial Commissioner of Railways ; it runs as follows—

" 'reporting, however, to the Financial Commissioner any differences of opinion which may arise from time to time between himself and the Agent. Such differences of opinion shall, in due course, be made available for inspection by the Standing Finance Committee for Railways '."

I just wish to add a few words of explanation. The proposal here is that the accounting staff in each railway system should be answerable to the Agent and should carry out his orders. It is needless for me to say that in a general way I support the motion before the House, as an experimental measure.

As you have already given your ruling that enough has been said  
 5 P.M. about the general character of the Resolution to enable Members to come to a right decision I



[Mr. M. K. Acharya.]

shall not waste the time of the House on any general arguments, but will go straight to the point as to what will happen in case the chief accounting officer on the railway happens to differ from the Agent. This Resolution as worded says that he should be answerable to the Agent and should carry out the orders of the Agent, even if the chief accounting officer differs or holds a contrary view to what the Agent thinks is necessary. In such cases it is only right after all that we have heard from the Mover of the Resolution as to the way in which the accounting staff will be responsible to the Financial Commissioner for the work that they do, that the chief accounting officer shall report the fact of his disagreement between himself and the Agent to the Financial Commissioner and keep the Financial Commissioner fully informed. And in order that difficulties may not arise such as the one that was reported a little while ago as having arisen with respect to some papers which a member of the Standing Finance Committee wanted and which were supposed to be part of some official file and could not therefore be produced for the inspection of the Member in question, I wish to add this further proviso here that all such differences of opinion as arise between the chief accountant of the railway on the one hand and the Agent on the other and are reported to the Financial Commissioner ought to be made available to the representatives of this House. Therefore I say that such differences shall in due course be made available for the inspection of the members of the Standing Finance Committee for Railways. This will keep the House informed through the Standing Finance Committee of all such differences of opinion. I hope that we are all agreed that this House must get more and more control over the activities of the Railway Department, chiefly of the Agents. I am one of those who have always felt that the Agent is considered a kind of superior god whose actions are never questioned in practice. The Railway Board seems to exist only for upholding whatever the Agent does. The Commerce Member is there only for upholding what the Agent does. Indeed I do not believe that in practice there is anybody under the sun who thinks he can say that the Agent has done wrong and that he shall be pulled up. It is therefore very desirable that in this matter of accounts particularly the House should see that no wasteful expenditure is incurred, that no officers are employed simply because the Agents want them. We have already had one instance of that kind of capricious appointment of a Deputy Superintendent of Watch and Ward, and I give notice that I shall take the earliest opportunity to move for such reduction in expenditure as has been incurred by the Railway Board without the sanction of the Finance Committee when the time comes for the Railway Budget. And I say that this House through the Standing Finance Committee must be kept informed of all the questionable actions of these Agents.

I am glad that Mr. Sim, although I may have my quarrels with him in other respects, so far at least as the question of accounts on the railways is concerned, is keeping a careful eye. I am glad also that a very capable officer has been appointed to help him, the Director of Accounts, who possesses very large experience in the matter of accounting. With his large experiences as Chief Auditor and as chief accounting officer on more Railways than one we hope that nothing will escape the scrutiny of the special officer who has recently been appointed and who I am glad to find is an Indian. It is very necessary that this House through the

Director of Accounts, the Financial Commissioner and the Standing Finance Committee, should keep itself informed completely of all that takes place in the way of spending the railway moneys of the country. We must get control over the autoocracy of the Railway Department, for I believe the amount of autoocracy that is now exercised on Railways is colossal : and this amendment will be a means of getting some control. I therefore propose this additional amendment that the chief accounting officer should report to the Financial Commissioner any difference of opinion that might arise between him and the Agent, and these differences of opinion shall be made available for the inspection of the Standing Finance Committee. I am glad that the Honourable Mr. Sim is agreeable to this amendment.

**Mr. Chaman Lall** (West Punjab : Non-Muhammadian) : I rise to support this amendment. I admit every word that Mr. Jamnadas Mehta has said regarding the suspicion that we have on this side of the House in connection with this matter. It is because we are suspicious that I rise to support the amendment moved by my friend Mr. Acharya to the effect that the Standing Finance Committee shall be kept informed of all differences of opinion that may arise between the agent and the accounting authorities. We have been charged in this House with being an ignorant lot. I am afraid my friend Mr. Jamnadas is suffering from intellectual indigestion ! (Laughter). (*An Honourable Member* : "Swelled head".) He quoted a large number of blue-books which he does not understand and he got up on this occasion to quote from this blue-book which I hold in my hand a sentence which is utterly meaningless if he attempts to construe it in favour of his argument.

**Mr. President** : I will not allow the Honourable Member under the guise of supporting this amendment to go into other matters. If the Honourable Member wishes to say anything on the merits of the amendment he may do so but he should not use this opportunity for the purpose of answering the arguments of Mr. Jamnadas Mehta or otherwise criticising him on matters quite irrelevant to the subject matter of the amendment.

**Mr. Chaman Lall** : It is on the merits of the amendment that I bring this point in support of this amendment. My argument is that we are really very suspicious in regard to this particular matter and that we do not want to place the destiny of railway finance in the hands of the Agent. If you do not accept this amendment which has been moved by Mr. Acharya you will be placing your entire financial control in the hands of the Agent. There are gentlemen here who have great faith in the Agents and yet these are the very gentlemen who get up here and put numerous questions to my Honourable friend Mr. Sim about the mismanagement and the *zulum* that is evidenced under the aegis of the Agents' system. We have no faith in the Agents as they are constituted at present. They are irresponsible. They have no sense of public responsibility at all. By placing the finances of the railways in their hands without any sort of independent control, you will not be doing your duty by the tax-payer. For these reasons I would ask Honourable Members to support this amendment.

**Sir Purshotamdas Thakurdas** : I see that my Honourable friend's amendment says that they should be "made available to the Finance

[Sir Purshotamdas Thakurdas.]

Committee", i.e., they should be reported to the Finance Committee from time to time.

**Mr. President :** They will be available for inspection.

**Sir Purshotamdas Thakurdas :** I asked my friend, the Mover of the amendment, and he says that he expects them to be placed before the Finance Committee.

**Mr. President :** The wording is that such difference shall be made available for inspection of the Standing Finance Committee for railways.

**Mr. Jamnadas M. Mehta :** Will they have the right of copy also ?

**Sir Purshotamdas Thakurdas :** I expect my friend Mr. Sim will perhaps explain exactly what he proposes to do by accepting this amendment.

**Mr. G. G. Sim (Financial Commissioner, Railways) :** I willingly accept this amendment because it carries out the intentions of the Standing Finance Committee. When Mr. Acharya showed me his amendment first, I pointed out to him that there are a very large number of cases where differences of opinion arise between an Agent and the financial authorities regarding small matters such as the amount of pension or leave a man is entitled to, the amount of gratuity that is payable to a man and cases of that kind. I do not consider that the Standing Finance Committee would care to be flooded with these petty cases. If Honourable Members will refer to the proceedings of the Standing Finance Committee they will find that, at the instance of Mr. Rama Aiyangar, I agreed that all general instructions circulated to all the chief accounting officers in our railways should be placed before the Standing Finance Committee.

**Sir Purshotamdas Thakurdas :** That is in regard to (g). What about (h) on page 7 ? You agreed to (g) and said that you will consider (h) ?

**Mr. G. G. Sim :** That is rather a different matter. Mr. Rama Aiyangar raised the question of whether the Standing Finance Committee should not take the place of the Public Accounts Committee in regard to certain functions, a suggestion which cannot be immediately settled. But as regards this amendment the position is simply this. I do not want to flood the Standing Finance Committee with all these small cases. I do not think they want to see them. But I shall place, I have agreed to place, before them all these general questions—any case where an Agent and a Chief Auditor differ on an important principle would naturally be the subject of a general letter to all the different railways and that, Sir, will cover all big questions. But in order to cover any other cases which would not be covered by general letters, I suggest that we should pass the amendment in this form, that the papers should be made available for inspection by any member of the Standing Finance Committee. I am quite agreeable to placing before them any cases which the Finance Committee consider suitable ; only I do not think they want their proceedings flooded out with these small cases.

**Sir Purshotamdas Thakurdas :** I understand from the Honourable Mr. Sim that he would be quite prepared to put such details before the Standing Finance Committee as they might desire.

**Mr. G. G. Sim :** Yes, it will be for the Standing Finance Committee to settle what cases they wish to look at.

**Sir Purshotamdas Thakurdas :** And you agree to abide by the decision of the Standing Finance Committee ?

**Mr. G. G. Sim :** Yes, Sir.

**Mr. President :** Amendment moved :

“ That at the end of clause (a) the following be inserted :

‘ reporting, however, to the Financial Commissioner any differences of opinion that may arise from time to time between himself and the Agent. Such differences shall in due course be made available for inspection by the Standing Finance Committee for Railways ’.”

The question is that that amendment be made.

The motion was adopted.

**Diwan Bahadur M. Ramachandra Rao** (Godavari *cum* Kistna : Non-Muhammadan Rural) : Sir, I should like to ask one small question of the Honourable Sir Basil Blackett and Mr. Sim. I should like to know whether, when this Resolution is carried, there will be any abrogation of any rules framed under section 96-B or whether Mr. Sim himself will be bound by any satisfactory rules framed under the Government of India Act ? Does it involve any statutory rules or will this be carried out by an executive order ?

**The Honourable Sir Basil Blackett** (Finance Member) : Entirely by executive order, I think, though I confess I am not an authority on the question of statutory rules.

**Mr. President :** The question is :

“ That the Resolution,\* as amended, be accepted.”

\* “ This Assembly recommends to the Governor General in Council that with a view to improving the system of audit and accounting on railways, a reorganisation in the direction stated below be introduced forthwith as an experimental measure on the East Indian Railway :

- (a) The Auditor General shall in future be responsible for audit alone. He should no longer be required to maintain the accounts of the railways or to control their accounts staff. Such control should pass, not to the Railway Board as such, but to the Financial Commissioner of Railways. On each railway system the accounting staff will be under the orders of the Financial Commissioner of Railways for the purpose of appointments, promotions, transfers, etc., reporting, however, to the Financial Commissioner any differences that may arise from time to time between himself and the Agent. Such differences shall in due course be made available for inspection by the Standing Finance Committee for Railways.
- (b) The accounts staff under the Financial Commissioner of Railways shall perform duties practically identical with those hitherto undertaken on State-worked railways by the accounts and audit staff under the Auditor General. Where the latter exercised an audit properly so called, the new agency will conduct an ‘ internal check ’ ; but the nature and extent of the scrutiny will be approximately the same in both cases.
- (c) The Auditor General shall, in order to enable him to fulfil his statutory responsibilities, be provided with a sufficient staff to make a satisfactory audit of the work of the accounts offices.”

The Assembly divided :

AYES—67.

Abdul Mumin, Khan Bahadur Muhammad.	Langley, Mr. A.
Abul Kasem, Maulvi.	Lindsay, Sir Darcy.
Acharya, Mr. M. K.	Lloyd, Mr. A. H.
Ahmad Ali Khan, Mr.	Lohokare, Dr. K. G.
Akram Hussain, Prince A. M. M.	Macphail, Rev. Dr. E. M.
Alimuzzaman Chowdhry, Khan Bahadur.	Maguire, Mr. L. T.
Aney, Mr. M. S.	Mahmood Schamnad Sahib Bahadur, Mr.
Ashworth, Mr. E. H.	Makan, Mr. M. E.
Ayyar, Mr. C. V. Krishnaswami.	Malaviya, Pandit Madan Mohan.
Bajpai, Mr. R. S.	Mehta, Mr. Jamnadas M.
Bhat, Mr. K. Sadasiva.	Misra, Pandit Harkaran Nath.
Bhore, Mr. J. W.	Mitra, The Honourable Sir Bhupendra Nath.
Blackett, The Honourable Sir Basil.	Muddiman, The Honourable Sir Alexander.
Bray, Sir Denys.	Muhammad Ismail, Khan Bahadur Saiyid.
Burdon, Mr. E.	Murtuza Sahib Bahadur, Maulvi Sayad.
Carcy, Sir Willoughby.	Naidu, Mr. M. C.
Chalmers, Mr. T. A.	Nehru, Pandit Shamlal.
Chartres, Mr. C. B.	Panduranga Rao, Mr. V.
Chetty, Mr. R. K. Shanmukham.	Purshotamdas Thakurdas, Sir.
Clew, Mr. A. G.	Reddi, Mr. K. Venkataramana.
Cocke, Mr. H. G.	Roy, Mr. G. P.
Cosgrave, Mr. W. A.	Samiullah Khan, Mr. M.
Crawford, Colonel J. D.	Sarfaraz Hussain Khan, Khan Bahadur.
Dalal, Sardar B. A.	Sim, Mr. G. G.
Dumasia, Mr. N. M.	Singh, Rai Bahadur S. N.
Fleming, Mr. E. G.	Sinha, Mr. Ambika Prasad.
Ghazunfar Ali Khan, Raja.	Sinha, Mr. Devaki Prasad.
Ghulam Bari, Khan Bahadur.	Stanyon, Colonel Sir Henry.
Gordon, Mr. E.	Sykes, Mr. E. F.
Gordon, Mr. R. G.	Tonkinson, Mr. H.
Graham, Mr. L.	Vijayaraghavacharya, Diwan Bahadur T.
Gurner, Mr. C. W.	Webb, Mr. M.
Hira Singh Brar, Sardar Bahadur Captain.	Yakub, Maulvi Muhammad.
Innes, The Honourable Sir Charles.	

NOES—14.

Abhyankar, Mr. M. V.	Kelkar, Mr. N. C.
Chaman Lall, Mr.	Majid Baksh, Syed.
Das, Mr. B.	Nehru, Dr. Kishenlal.
Duni Chand, Lala.	Neogy, Mr. K. C.
Dutt, Mr. Amar Nath.	Ranga Iyer, Mr. C. S.
Hans Raj, Lala.	Venkatapatiraju, Mr. B.
Joshi, Mr. N. M.	Yusuf Imam, Mr. M.

The motion was adopted.

## DEMANDS FOR SUPPLEMENTARY GRANTS IN RESPECT OF RAILWAYS.

### AUDIT.

**Mr. G. G. Sim** (Financial Commissioner, Railways) : Sir, I move :

“ That a supplementary sum not exceeding Rs. 1,30,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st March, 1926, in respect of ‘ Audit ’.”

This proposal is supplementary to the last and I am happy to say that on this particular occasion I have the support of my Honourable friend, Mr. Neogy.

**Mr. K. C. Neogy** : Mr. Jamnadas Mehta's support ought to be enough.

The motion was adopted.

## COMPANIES' AND INDIAN STATES' SHARE OF SURPLUS PROFITS ON NET EARNINGS.

**Mr. G. G. Sim :** Sir, I beg to move :

"That a supplementary sum not exceeding Rs. 38,00,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st March, 1926, in respect of 'Companies' and Indian States' share of surplus profits on net earnings."

This, Sir, as explained in the note attached and sent to Honourable Members, is a purely formal Resolution. Every year we work out the amount due to the companies and Indian States in respect of the profits of the last year and this is the figure that is due to them on last year's profits.

**Mr. M. K. Acharya** (South Arcot *cum* Chingleput : Non-Muhamadan Rural): Sir, beg to move the following amendment :

"That the supplementary demand in respect of 'Companies' and Indian States' share of surplus profits on net earnings' be reduced by rupees one hundred with a view to draw the attention of the Railway Companies and States concerned to the desirability of reducing their third class fares."

(*Cries of "Withdraw."*) I am sure, Sir, that the cause I am pleading—no I am not going to withdraw unless you, Sir, command me to do it—I should be very glad if Honourable Members will stand up and say that the case of the poor passengers who travel in the third class does not deserve consideration at the hands of this House. I would like to have a division on it. I was quite prepared to accept the suggestion made by the Honourable Mr. Sim that he would himself be agreeable to take the necessary steps to see that as early as possible this subject is taken into consideration and something definite is done. That is something reasonable, but I am not going to be.....

**Mr. President :** But the Honourable Member does not seem to have been satisfied with that reasonable offer of Mr. Sim.

**Mr. M. K. Acharya :** I want to have an offer on the floor of this House, Sir ; I do not want to be satisfied with a private talk.....

**Mr. President :** Does the Honourable Member move his amendment formally ?

**Mr. G. G. Sim :** I am quite willing, Sir, to make the Honourable Member a definite promise, to repeat the promise which was given by the Honourable Sir Charles Innes during the budget debate, that this question will be definitely considered by the Standing Finance Committee within the next two or three months. The question is at present being thrashed out in every individual railway system and necessary information is being collected, and the whole question will be placed before the Standing Finance Committee.

**Mr. M. K. Acharya :** In view of the assurance given by the Financial Commissioner, I beg to withdraw this amendment.

The amendment was, by leave of the Assembly, withdrawn.

**Mr. President :** The question is :

"That a supplementary sum not exceeding Rs. 38,00,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st March, 1926, in respect of 'Companies' and Indian States' share of surplus profits on net earnings."

The motion was adopted.

## DEMANDS FOR SUPPLEMENTARY GRANTS (EXCLUDING RAILWAYS).

### OPIMUM.

**The Honourable Sir Basil Blackett** (Finance Member) : Sir, I am anxious to study the convenience of the House and I am in some doubt as to how far they would desire me to give an explanation of the various supplementary votes which follow. The motion that I have to make now is :

“ That a supplementary sum not exceeding Rs. 50,96,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st March, 1926, in respect of ‘ Opium ’.”

This is a sum which we have to pay to the cultivators for opium actually delivered by them, and the reason for the supplementary demand is that God has been very bountiful and there has been a very much larger crop than we estimated when we introduced the original estimates. I am prepared to answer any questions if they are desired, but in order to study the time of the House I will leave the motion at that for the moment.

**Mr. A. Rangaswami Iyengar** : May I know, Sir, how it would affect the budget figures under the head of Opium for the next year if this Rs. 50 lakhs were granted ?

**The Honourable Sir Basil Blackett** : It will have no direct effect on next year's figures at all. As regards this year's figures it does mean that there is an addition to our expenditure of this amount. But it is to a large extent, I think counterbalanced by increases in our revenue. Of course we took a very conservative estimate of revenue.

**Mr. A. Rangaswami Iyengar** : Does that mean that the Government are not going to restrict the output and supply of opium ?

**The Honourable Sir Basil Blackett** : Government have already taken steps to restrict very severely the area to be cultivated next year. We cannot of course restrict the extent of the production in that area, especially if the weather is fortunate, as it was this year ; but we have reduced the area, I think, from 116,000 bighas to 72,000 bighas, to be cultivated next year.

**Mr. A. Rangaswami Iyengar** : May I know, Sir, if there is such a thing as intensive cultivation to make up for the reduction in the extent of cultivation ?

**The Honourable Sir Basil Blackett** : We have taken that into account, Sir.

**Mr. B. K. Shanmukham Chetty** (Salem and Coimbatore *cum* North Arcot : Non-Muhammadan Rural) : May I ask the Honourable the Finance Member whether he has examined if it is not possible to keep the accounts relating to Opium on a better basis than at present, so that Honourable Members may know exactly what the position of Opium is in respect of receipts and expenditure.

**The Honourable Sir Basil Blackett** : It is a subject to which I have given very careful attention. As the Honourable Member knows, it was raised in the Standing Finance Committee, and as soon as we can get to anything like a commercial account of our Opium Department, I think we shall be in a position to place the accounts on a better footing. But we shall not be able to avoid the necessity of coming in for supplementary estimates unless we get these payments made statutory.

**Diwan Bahadur M. Ramachandra Rao** (Godavary *cum* Kistna : Non-Muhammadan Rural) : May I ask the Honourable Member whether he will be prepared to tell us something about the financial position for 1925-26. I thought he might usefully make some statement on one of these supplementary grants. I once asked him for information on this matter, but he very skilfully avoided telling me.

**The Honourable Sir Basil Blackett** : The only reason why I avoided telling the Honourable Member is that I have no information. I can only say that the progress of both the revenue and expenditure this year appears to be following very closely the budget estimates. But I cannot guarantee the House against the risk of a surplus, nor yet can I say that we are safe from a possible deficit. I have really no better figures than those contained in the original estimates for the year. It is true that in one or two cases, for instance, in Customs, we are doing a little better, but in Income-tax we are doing a little worse, so that all I can say at the moment is that the estimated surplus, I think, of 24 lakhs that was originally in the budget estimate will be reduced by the 18½ lakhs that has been voted to-day for steel, and that the remainder of the surplus, I hope, we shall not fail to realise.

**Sir Purshotamdas Thakurdas** (Indian Merchants' Chamber : Indian Commerce) : Will the Honourable Member be pleased to say something about the actuals of the last financial year ?

**The Honourable Sir Basil Blackett** : I have not got the exact figures.

**Sir Purshotamdas Thakurdas** : Approximate figures ?

**The Honourable Sir Basil Blackett** : I will try and bring them tomorrow.

**Mr. President** : The question is :

"That a supplementary sum not exceeding Rs. 50,96,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st March, 1926, in respect of 'Opium'."

The motion was adopted.

#### STAMPS.

**The Honourable Sir Basil Blackett** : Sir, I beg to move :

"That a supplementary sum not exceeding Rs. 17,00,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st March, 1926, in respect of 'Stamps'."

This sum is required for the continuance and completion of the new stamp factory at Nasik. The House will remember that by a small majority in the last Session, it reduced this vote by 17 lakhs with a view to the particular item in question being charged against capital instead of against revenue. The Government of India have carefully looked into the position. Without raising the general question, I would like to draw the attention of the House to the position in this particular case. This factory was actually started a year ago, and there was charged against revenue in the year 1924-25 a sum of, I think, 8 lakhs. The amount required to complete it was included in the budget estimates for this year. It does not seem a very suitable moment to change over from revenue to capital in the middle of the construction of the building, and as there is no particular reason why we should at this moment change over from revenue to capital, we are indisposed to find this sum out of capital, and we have decided to come back to the House and ask them to vote it as a charge against revenue. The position is that, if we have a surplus, it will be a surplus



[Sir Basil Blackett.]

of 17 lakhs more, if we charged this sum to capital than if we charged it to revenue. If there is a surplus of 17 lakhs or more, that sum will presumably go to reduction of debt, and so we shall be simply borrowing with one hand and producing debt with another. If there is a deficit, in any case this sum will be borrowed. So, in the middle of the year, I think it would probably be undesirable to make a change in this particular case. I do not wish to go into the general question of the desirability of charging this particular building or buildings in general to capital. I am willing to admit that this is one of those cases which is fairly near the border line, and it was on that basis that the House voted that it should be charged to capital, having the day before come to a contrary decision in regard to buildings included in the salt vote. But I am quite willing to admit that this is somewhat nearer the border line than other cases. It is however a building which is being put up for administrative purposes, and the rule that we have hitherto followed is that buildings for administrative purposes should be charged to revenue, and that we should borrow, only for purposes of what is really reproductive capital expenditure such as Irrigation, Railways, etc.

**Sir Purshotamdas Thakurdas :** I am afraid, Sir, I must oppose this motion, and I wish that the Honourable the Finance Member would not press this to a division. There is no reason adduced by him as to why the Assembly should change the opinion which it recorded after what I consider to be a very full discussion of this subject last March. The only ground advanced by the Honourable the Finance Member is that a sum of 8 lakhs and odd has already been debited to revenue in connection with this building, and therefore this second instalment of 17 lakhs should be allowed to be so debited. May I ask him, Sir, if the total cost of the buildings is not—I am speaking from memory—approximately 50 lakhs ?

**The Honourable Sir Basil Blackett :** These two sums, 17 lakhs and about 8 lakhs are the total.

**Sir Purshotamdas Thakurdas :** With the machinery it comes to about 50 lakhs.

(*An Honourable Member :* It is about 50 lakhs.)

**Sir Purshotamdas Thakurdas :** One Honourable friend on my right says it is about 50 lakhs. But whatever the amount may be, as far as we are concerned, it is certainly not going to end with these 17 lakhs.

**The Honourable Sir Basil Blackett :** Yes, it ends for this year.

**Sir Purshotamdas Thakurdas :** With the machinery included ?

**The Honourable Sir Basil Blackett :** I do not think that anybody has ever raised that question at all.

**Sir Purshotamdas Thakurdas :** Would you charge the machinery to capital and buildings to revenue ?

**The Honourable Sir Basil Blackett :** Machinery is always charged to revenue.

**Sir Purshotamdas Thakurdas :** What is the difference ? This, Sir, is not a building for administrative purposes. This is a building put up for a department which, we are told, is going to be run on a commercial basis. Why charge either the machinery or the building to revenue

account? I feel, Sir, that the Assembly would be making a great mistake in complying with the Honourable Member's suggestion at this stage even, and I suggest it to my Honourable friend that the right course would be to debit the 8 lakhs 53 thousand also to the capital account, so that we may know exactly how far the estimates on which this scheme has been based turn out to be correct. I do not think I need say anything more. No fresh reason has been adduced by the Finance Member as to why the Assembly should change its previous verdict and I am afraid the Finance Member's is a very wrong policy. The Finance Member said, Sir, that in March last the Assembly turned down this demand of 17 lakhs after having voted for some buildings, etc., in connection with salt works. I am sure that he will agree very readily that the two questions are very wide apart. In connection with the Salt Department, the works may not be good enough even for some years. They have to be renewed at short intervals and are liable to be washed out. In the case before us to-day we are putting up a substantial building and the whole thing was reported by the Standing Finance Committee to be an absolutely commercial proposition, and I think that if ever there was a case in which the Assembly should insist that the cost should be debited to capital, it is in this case. This demand of 17 lakhs may well be turned down and the Finance Member should debit the first 8 lakhs also to capital, so that we may have our capital account for this part of the Government's enterprise accurate. I oppose the motion.

**Mr. A. Rangaswami Iyengar** (Tanjore *cum* Trichinopoly : Non-Muhammadan Rural) : Sir, I must say that I am surprised at the plea which the Finance Member has put forward for bringing forward a rejected grant again for the vote of the House. I know, Sir, that the rules of procedure have been changed by the exercise of those extraordinary powers which the Viceroy possesses enabling....

**Mr. H. Tonkinson** (Home Department : Nominated Official) : Sir, the rules were amended by no extraordinary powers of His Excellency the Viceroy. The amendments had nothing to do with the special powers of His Excellency the Viceroy.

**Mr. A. Rangaswami Iyengar** : I beg Mr. Tonkinson's pardon. It is by the Governor General in Council. They were made as an emergency measure last year, Sir, when we first rejected the votes, to enable the Government not merely here, but in the Provincial Councils, to bring forward rejected votes again and again before these Houses. And I say, Sir, that this is purely and simply an attempt to get the House back to vote against its own vote on a previous occasion—it is nothing else than that—and I say, Sir, that a supplementary grant is not the proper way of doing that. The proper way is for him frankly to tell us : You voted against this on the last occasion. We think you were wrong. At any rate, we are more sure of votes on this occasion than we were on the last occasion, and therefore we are trying to put it through at a time when we are sure of a better attendance on our side or a poorer attendance on your side. And that I say, Sir, would be a fair way of putting this to the House. I feel on that ground that these motions asking the House to retrace its own decisions arrived at in March last, should be opposed. The rest of the arguments of the Finance Member about this becoming capital expenditure eventually and as to the position that when a surplus is realised owing to the reduction it will go into capital account in reduction of debt and that

[Sir Basil Blackett.]

when a deficit comes, you will have to make up the deficit by means of capital borrowing—all this I say, Sir, is mere camouflage to get this House to go back on its decision.

**The Honourable Sir Basil Blackett :** Sir, I do not know what it is to which Mr. Rangaswami Iyengar objects, but he is very clever at finding objections. This vote was, as I said, rejected by the House last March. The Government of India had the option of restoration. They did not restore it. Does he object to that ?

**Mr. A. Rangaswami Iyengar :** Yes, they did not restore it, but they come to the House again to get it to reverse its own decision when the time seemed favourable to the Government.

**The Honourable Sir Basil Blackett :** That was the Honourable Member's first objection, that we did not use our powers to restore this grant, but that, instead, we come back to the House and give them an opportunity to discuss the thing again. The building is in course of construction. We had three alternatives. One was to restore the grant and to continue the building. The other was to accept the decision of the House and charge to capital. But even in that case we had no authority from the House because nothing had been voted. We should have had to come back to the House and bring forward a supplementary grant for the charge to capital. But in the meanwhile we should have had to go on with the building. What we have done is that, in view of the fact that the House did not want the building to stop, which was the net effect of its vote, we have given it a further opportunity of restoring the grant.

**Sir Purshotamdas Thakurdas :** I think the Government would not have correctly understood the speeches that were made then. We wanted the expenditure to be out of capital.

**The Honourable Sir Basil Blackett :** Certainly, but we were still without any formal authority from the House to spend the money. We have therefore come back to the House to ask them to reconsider their decision. I do not deny that. That is the one purpose of our coming back. I do not know why Mr. Rangaswami Iyengar should object to our giving the House an opportunity to reconsider their decision. He says that we are doing it at an opportunity which is favourable to us. This item on the agenda has been on the agenda since I think last Thursday. We are still dealing with last Thursday's agenda and I think it would have been very clever of the Government if they had managed to keep the House with a majority all the time to secure that when this particular item happened to come on for decision the Government should be able to carry it their way. We have come before the House perfectly plainly and put before them this proposal. I was careful, when I got up, to ask the House to take this decision on practical grounds, that whatever our view on its merits may be as regards the desirability of charging this to capital or not, we should in this case charge it to revenue, because it was started under revenue, and because the only effect of charging it to capital would be a purely book-keeping one, except that we should have to include next year a sum for amortisation of this charge. If the House wish me to discuss the whole question on its merits at this time I am perfectly willing to do so. I still hold the view, and I wish to give an opportunity to the House to hold the view, that this

building ought to be charged to revenue. I was rather interested to get put into my hands the other day a report by the Commissioner General of the League of Nations for Hungary who is representing the League of Nations in the business of reconstruction and I came across this passage :

“ It is noticeable that the Post, Telegraphs, and Telephones have adopted the sound principle of including in their budget items for capital outlay. The management of the Posts, Telegraphs and Telephones is to be congratulated on having included in it all its capital expenditure and meeting the expenditure from its own receipts.”

There is much to be said on both sides on the general question as to whether or not you should charge such an item to capital. I deliberately did not raise that question now. I asked the House to come to a decision on nothing else except that, for practical reasons, it is advisable that this charge should continue to be charged to revenue and I submit that they should, in view of the explanation, pass this vote and not raise the general issue.

**\*Mr. R. K. Shanmukham Chetty :** May I know what would be the possible difficulty if this is charged to capital account and not to revenue account ? Why should the Finance Member take the trouble to say to the House that on practical grounds this should be charged to revenue ? May I know what would be the difficulty in charging it to capital ?

**The Honourable Sir Basil Blackett :** If I was to carry out the suggestion of Sir Purshotamdas Thakurdas it would mean re-opening last year's account which is rather a difficult thing to do. If this is charged to capital it would be doing what has not hitherto been done and the only practical effect would be, if it has any practical effect at all, that the 1926-27 estimate would be increased by a sum of approximately two lakhs, representing amortisation on this charge.

**\*Mr. R. K. Shanmukham Chetty :** Sir, the fact that 8 lakhs which has already been spent on this has been charged to revenue is not a very serious objection to including this item now in the capital portion, for this reason that there is still 15 lakhs of rupees to be spent in the purchase of paper, etc., which I suppose might be spent either during the course of next year or the year following. Now, Sir Purshotamdas suggested that 8 lakhs out of this might be transferred to capital account. The whole of the money that is to be spent would then appear in the capital account and we would know exactly how things stand.

**The Honourable Sir Basil Blackett :** If the Government do make an adjustment I think they ought to do it in a straightforward manner and not arrive at it in a round-about way which would amount almost to misappropriation in form though not in intention. I said the Government asked the House for practical reasons not to press the charging of it to capital. I am quite prepared, if the House so desire, to defend the case on principle, but I do not now put the case on financial grounds of principle.

**Mr. President :** The question is :

“ That a supplementary sum not exceeding Rs. 17,00,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st March, 1926, in respect of ‘ Stamps ’.”

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\* Interruptions not corrected by the Honourable Member.

The Assembly divided:

AYES—38.

Abdul Mumin, Khan Bahadur Muhammad.  
Akram Hussain, Prince A. M. M.  
Ashworth, Mr. E. H.  
Ayyar, Mr. C. V. Krishnaswami.  
Bajpai, Mr. R. S.  
Bhore, Mr. J. W.  
Blackett, The Honourable Sir Basil.  
Bray, Sir Denys.  
Burdon, Mr. E.  
Chalmers, Mr. T. A.  
Chartres, Mr. C. B.  
Clow, Mr. A. G.  
Cosgrave, Mr. W. A.  
Dalal, Sardar B. A.  
Fleming, Mr. E. G.  
Ghulam Bari, Khan Bahadur.  
Gordon, Mr. E.  
Gordon, Mr. R. G.  
Graham, Mr. L.  
Gurner, Mr. C. W.

Hira Singh Brar, Sardar Bahadur Captain.  
Innes, The Honourable Sir Charles.  
Langley, Mr. A.  
Lloyd, Mr. A. H.  
Macphail, Rev. Dr. E. M.  
Maguire, Mr. L. T.  
Mitra, The Honourable Sir Bhupendra Nath.  
Muddiman, The Honourable Sir Alexander.  
Muhammad Ismail, Khan Bahadur Saiyid.  
Naidu, Mr. M. C.  
Panduranga Rao, Mr. V.  
Reddi, Mr. K. Venkataramana.  
Roy, Mr. G. P.  
Sim, Mr. G. G.  
Singh, Rai Bahadur S. N.  
Tonkinson, Mr. H.  
Vijayaraghavacharya, Diwan Bahadur T.  
Webb, Mr. M.

NOES—42.

Abhyankar, Mr. M. V.  
Acharya, Mr. M. K.  
Aney, Mr. M. S.  
Carcy, Sir Willoughby.  
Chaman Lall, Mr.  
Chetty, Mr. R. K. Shanmukham.  
Coecke, Mr. H. G.  
Crawford, Colonel J. D.  
Das, Mr. B.  
Duni Chand, Lala.  
Dutt, Mr. Amar Nath.  
Govind Das, Seth.  
Hans Raj, Lala.  
Iyengar, Mr. A. Rangaswami.  
Joshi, Mr. N. M.  
Kasturbhai Lalibhai, Mr.  
Kelkar, Mr. N. C.  
Lindsay, Sir Darcy.  
Lohokare, Dr. K. G.  
Mahmood Schamnad Sahib Bahadur, Mr.  
Majid Baksh, Syed.

Malaviya, Pandit Madan Mohan.  
Mehta, Mr. Jamnadas M.  
Misra, Pandit Harkaran Nath.  
Murtuza Sahib Bahadur, Maulvi Sayad.  
Mutalik, Sardar V. N.  
Nehru, Dr. Kishenlal.  
Nehru, Pandit Shamlal.  
Neogy, Mr. K. C.  
Phookun, Mr. Tarun Ram.  
Purshotamdas Thakurdas, Sir.  
Ramachandra Rao, Diwan Bahadur M.  
Samiullah Khan, Mr. M.  
Sarfaraz Hussain Khan, Khan Bahadur.  
Singh, Mr. Gaya Prasad.  
Sinha, Mr. Ambika Prasad.  
Sinha, Mr. Devaki Prasad.  
Sinha, Kumar Ganganand.  
Stanyon, Colonel Sir Henry.  
Syamacharan, Mr.  
Sykes, Mr. E. F.  
Yusuf Imam, Mr. M.

The motion was negatived.

AGRICULTURE.

**Mr. J. W. Bhore** (Secretary, Department of Education, Health and Lands): Sir, I beg to move:

“That a supplementary sum not exceeding Rs. 2,44,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st March, 1926, in respect of ‘Agriculture’.”

This demand, Sir, consists of three items which have been explained in the note which has already been circulated to Honourable Members. The only point that I would like to emphasise is that the receipts in all these cases are anticipated to more than cover the expenditure. If there are any further points upon which Honourable Members would like to have information I shall be happy to give it. I beg to move the motion.

The motion was adopted.

## CAPITAL OUTLAY ON VIZAGAPATAM PORT.

**The Honourable Sir Charles Innes** : I beg to move :

“ That a supplementary sum not exceeding Rs. 90,47,000 be granted to the Governor General in Council to defray the charges which will come in course of payment during the year ending the 31st March, 1926, in respect of ‘ Capital outlay on Vizagapatam Port ’.”

The House will remember that in the last Session they approved, on the recommendation of the Railway Finance Committee, of the construction of a railway from Rairpur to Vizianagram. They agreed to this railway on the assumption that the Vizagapatam Harbour would be constructed, and that is why I move this motion.

The motion was adopted.

## THE OUDH COURTS (SUPPLEMENTARY) BILL.

**Mr. H. Tonkinson** (Home Department : Nominated Official) : Sir, I move that the Bill to supplement the Oudh Courts Act, 1925, as passed by the Council of State, be taken into consideration.

The Act, Sir, which this Bill proposes to supplement is an Act which was passed by the United Provinces Legislative Council. Section 49 of that Act provides for the amendment of certain Acts of the Governor General in Council which are specified in Part I of the First Schedule to that Act. Briefly those amendments propose as a general rule to confer upon the Chief Court which is established by the Oudh Courts Act powers which are now exercisable by High Courts of Judicature established by Letters Patent. In the Bill before us the Schedule is identical with Part I of the First Schedule to the Oudh Courts Act as passed by the local Council. In some respects these amendments can, so far as the United Provinces is concerned, be made by the local Council, but even as regards those amendments it would be impossible for us, because of an Act passed by a local Legislature, to make amendments in our editions of Acts of general application. In other cases, for example, in the case of the Indian Divorce Act, 1869, the amendments made by the local Council may take away jurisdiction from the High Court of Judicature in Allahabad, and are thus beyond the competence of the local Legislature. In another case, the first amendment to the Code of Criminal Procedure, the approval of the Secretary of State in Council is required under the provisions of the Government of India Act and that approval which has been obtained only extends and could only extend to legislation by the Indian Legislature. Sir, until the Bill which has been passed by the Council of State is passed by the Indian Legislature we shall be unable to make the improvement in the judicial administration of Oudh which is expected from the constitution of the proposed Chief Court. Sir, I move.

**Mr. R. K. Shanmukham Chetty** : I move that the motion be adjourned till Thursday next.

**The Honourable Sir Alexander Muddiman** : Sir, I dislike very much bringing forward legislation at the end of a day like this. But this Bill is one of great importance. We must establish this Court at once and I beg the House to pass this Bill. I will not take any other Government business to-night.

**Mr. R. K. Shanmukham Chetty** : I beg to withdraw my motion.

The motion was, by leave of the Assembly, withdrawn.

**Mr. President :** The question is :

“ That the Bill to supplement the Oudh Courts Act, 1925, as passed by the Council of State, be taken into consideration.”

The motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

**Mr. H. Tonkinson :** Sir, I move that the Bill to supplement the Oudh Courts Act, 1925, as passed by the Council of State, be passed.

The motion was adopted.

**The Honourable Sir Alexander Muddiman :** I have already informed the House that we will not take any further Government business to-night.

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 16th September 1925.

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