

LEGISLATIVE ASSEMBLY

DEBATES

Thursday, 25th FEBRUARY, 1932

Vol. II—No. 5

OFFICIAL REPORT



CONTENTS.

Member Sworn.

Statement Laid on the Table *re* Appointment of Muslims in
the Income-tax Department, Punjab.

Statement of Business.

Presentation of the Railway Budget for 1932-33.

Report of the Public Accounts Committee.

Appendices.

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LEGISLATIVE ASSEMBLY.

Thursday, 25th February, 1932.

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

MEMBER SWORN:

Mr. Albert Melville Hayman, O.B.E. (Government of India: Nominated Official).

STATEMENT LAID ON THE TABLE.

APPOINTMENT OF MUSLIMS IN THE INCOME-TAX DEPARTMENT, PUNJAB.

The Honourable Sir George Schuster (Finance Member): I lay on the table the information promised in reply to part (c) of starred question No. 271, asked by Shaikh Fazal Haq Piracha on the 12th February, 1932, regarding enlistment of Muslims in the Income-tax Department, Punjab.

Twenty-seven appointments of Assessing Officers were made in the Punjab in 1931-32, all of which were filled by members of the existing staff who get an allowance of Rs. 25 in addition to their substantive pay. These consists of:

Muhammadans	10
Hindus	13
Sikhs and others	4

Twenty-two new appointments of Income-tax Inspectors were made in the Punjab in 1931-32. Ten of these were made by Departmental promotion and consist of:

Muhammadans	2
Hindus	5
Sikhs and others	3

The remaining twelve were directly recruited as follows:

Muhammadans	6
Hindus	3
Sikhs	3

One hundred and twelve new appointments of Assistant Clerks were made in the Punjab in 1931-32, 57 of which were given to Muhammadans, 35 to Hindus and 20 to Sikhs and others.

One appointment of Income-tax Officer was made in 1930-31 in the Punjab. This was filled by departmental promotion. A Hindu officer who had previously been officiating was confirmed. Another vacancy occurred in the North-West Frontier Province but as the cadre was combined it was filled by confirmation of a Sikh officer of the Punjab, who also had been officiating as Income-tax Officer. The officiating vacancy caused by his confirmation was filled by promotion of a Muhammadan Assistant Income-tax Officer.

STATEMENT OF BUSINESS.

The Honourable Sir George Rainy (Leader of the House): With your permission, I should like to make a statement about the course of business for the week beginning the 29th February. On that day, the election of Members to the Standing Committee on Roads will take place first, and thereafter the election of Members to the Standing Advisory Committee of the Department of Education, Health and Lands. The House will then proceed to the general discussion of the Railway Budget. Tuesday the 1st, Wednesday the 2nd, Thursday the 3rd, and Friday the 4th, March, are allotted for the voting of Demands for grants, and Saturday the 5th is a gazetted holiday on which the House will not sit.

RAILWAY BUDGET FOR 1932-33.

The Honourable Sir George Rainy (Member for Commerce and Railways): It is once more my duty to present to the Assembly the Railway Budget estimate for the coming year. On this occasion no change has been made in the form of the papers to be placed in the hands of Honourable Members of sufficient importance to require separate notice. In the preparation of the Budget I have, as always, received the greatest assistance from the Chief Commissioner, the Financial Commissioner and the Members and staff of the Railway Board. A special word of thanks is also due to the members to the Standing Committee on Railway Finance for the help they have given us throughout the year.

2. I have no doubt that, as on former occasions, Honourable Members when giving notice of motions for reductions in the demands will indicate briefly the questions they wish to raise. The advantages of this practice are so obvious that I need not dilate upon them.

Financial results of 1930-31.

3. The anticipations we formed a year ago as to the financial results of the working of the railways in 1930-31 were very nearly fulfilled. We expected that the loss on all the railways, both commercial and strategic, would be 5½ crores, and that it would be necessary to withdraw nearly 11 crores from the reserve in order to pay the contribution to general revenues. The actual sum taken from the reserve exceeded the estimate by only 6 lakhs, but it is fair to add that the working expenses were nearly a crore above the figure taken in the revised estimates, this excess being counterbalanced by an increase in the arrear adjustments with the depreciation fund.

Revised estimate for 1931-32.

4. If my estimate of the financial results of 1930-31 proved to be very near the mark, the case is far otherwise with the current year. We budgeted for a heavy reduction of expenditure as a result of the economy measures which railway administrations had already started, and here our expectations have been more than fulfilled, for our working expenses are likely to be less by nearly 3 crores than the budget figure. But this result, satisfactory in itself, is far more than counterbalanced by a substantial decline in our earnings. The figures I shall give in order to explain the position are those for the commercial lines, for the loss on the strategic railways at 2 crores is very close to our estimate, and it is unnecessary to refer to them further.

5. When I presented the budget estimates for the current year to the House, I anticipated an improvement in the gross traffic receipts of about 6 crores. Of this sum, 2 crores was expected to accrue from minor alterations in rates and fares, and for the rest it was assumed that the latter part of the year would show some improvement in traffic. As Honourable Members are no doubt aware from the statement of traffic earnings which we publish weekly, our hope that the cold weather of 1931-32 would be marked by an upward tendency in trade and some relief of the prevailing economic depression has not been fulfilled. I had always believed that a change for the better might begin towards the end of September, but although that month was certainly marked by changes of a somewhat startling character—changes which may contain within them the seeds of a real trade improvement in the future—I fear it cannot be said that they have as yet resulted in any appreciable advantage to the railway revenues. Instead of being about 6 crores higher than the previous year, our net traffic earnings are lower by more than 8 crores. Both goods earnings and passenger earnings have fallen off by about $8\frac{1}{2}$ per cent., and every class of traffic has been affected. It is evident that both the severity and the duration of the economic crisis through which the world is passing were underestimated a year ago and that I was over-sanguine in anticipating that the current year would find us already on the up grade.

6. The position, as disclosed in the revised estimates, compares with the budget figures as follows. We placed the total receipts at 101 crores and the total charges at nearly 98 crores, leaving a surplus for the year of 3 crores. Of this latter sum, about 2 crores would in any case have been required to meet the loss on the strategic railways and a balance of about 1 crore would have been left towards the contribution. It was recognised, therefore, that the reserves would have to be drawn upon to the extent of 4 crores in order to pay the contribution. Actually, our total receipts are now estimated at $86\frac{1}{2}$ crores and our total charges at 94 crores, so that instead of a surplus there is a deficit of $7\frac{1}{2}$ crores. This figure is raised to $9\frac{1}{2}$ crores by the loss on the strategic railways, and it becomes necessary to exhaust the balance of the reserve fund, not in order to pay a contribution to the general revenues but to meet a part of the deficit. The amount in the Reserve Fund does not exceed 5 crores, and, in order to balance the accounts, the only expedient open to us is a temporary loan of $4\frac{1}{2}$ crores from the depreciation fund. In effect this means that after paying our obligatory interest charges, the balance remaining falls short by this amount of the full allotment for depreciation.

Budget for 1932-33.

7. For the year 1932-33 we estimate that our total receipts will be $88\frac{1}{2}$ crores and the total charges $94\frac{1}{2}$ crores. The loss on the commercial lines is therefore $5\frac{1}{2}$ crores, and to this must be added the loss on the strategic railways of 2 crores, the total deficit for the year being $7\frac{1}{2}$ crores. As there is now no balance in the reserve fund, the whole of this sum has to be made good by a temporary loan from the depreciation fund. I ought to mention at this point that, by a change in accounting methods, both the earnings and the expenditure are higher by about $1\frac{1}{2}$ crores than they would have been under the system previously followed. This fact should be remembered when any comparison is made with the figures of the previous year.

8. Our estimate of earnings is based on the assumption that the volume of traffic will be about the same as it has been during 1931-32. The enhancements of rates and fares that have been introduced this year by particular railways and the general surcharge on coal freights should increase our earnings by

[Sir George Rainy.]

about 1 crore, and it is only to this extent that we expect any improvement in our revenues. Both in 1930-31 and in 1931-32 our estimate of receipts proved unduly optimistic, and on this occasion we have felt it necessary to take a conservative figure. To attempt to estimate the earnings of any commercial system under the world conditions which now prevail is largely a matter of guess work, but while on the one hand I can see no definite reason for thinking that during the next twelve months the volume of business will show much expansion, on the other hand there is equally little reason for anticipating any further marked deterioration. In these circumstances, it is hardly possible to do otherwise than to take the current level of earnings as the basis of our estimate.

9. If allowance is made for the accounting change to which I have already referred, our working expenses next year are expected to be nearly 2 crores lower than in this year. Out of this sum $1\frac{1}{2}$ crores is due to the emergency cut in pay, which will be in force for the whole year instead of for part of the year only. The balance is not far short of 50 lakhs, but account must also be taken of an automatic increase of 25 lakhs in the amount required for depreciation, and an increase in fuel charges by 37 lakhs owing to the surcharge on coal freight. When allowance is made for both these factors, the reduction in working expenses, apart from the cut in pay, is raised to about 1 crore. If this result is achieved, the position will not I think be unsatisfactory. It is to be remembered that by the end of the current year 400 miles of new lines will have been opened, and there is also an automatic increase in expenditure caused by the annual increments earned by the staff. These are items which raise our costs whether we will or no, and they have to be set off against the reductions in items fully under our control. But I should like to make it plain that, while we have not considered it safe to anticipate a larger reduction in expenditure as compared with the present year, there is no intention that the economy campaign should be relaxed in the slightest degree. Only the most rigid control of expenditure and insistence on economy, wherever economies are possible, can ultimately restore full solvency to the railways, and every effort will be used to bring about this result.

Capital Programme.

10. The activities of the railways on the capital side have been subjected to as close a restriction as on the revenue side. The financial circumstances of the time are such as to leave us no option, and the programme of new works has been ruthlessly pruned. The total sum provided is only $9\frac{1}{2}$ crores, of which the major portion is debitable to the depreciation fund. To cut down our development work to this extent is only possible by limiting the sums allotted for new construction to 1 crore, which will enable us very nearly to complete all the lines now under construction. By the end of next year the Sagaing bridge over the Irrawaddy will be the only unfinished item, and it will be very near completion, as the sum required for it in the following year is only 13 lakhs. So far as open line works are concerned, the only works for which any large provision has been made are the rebuilding and strengthening of certain important bridges where the work could not be postponed any longer consistently with the safety of the public. By the end of next year therefore the capital expenditure to which Government stands committed will be reduced to a very low figure, and capital expenditure can be limited strictly in accordance with the financial exigencies of the time.

11. This brings me to the end of my review of the figures included in the revised estimates for the current year and the budget estimates for 1932-33, and I have deliberately made my survey of the figures as concise as possible. It has been customary in the latter part of the budget speech to enlarge on one or other of the more important aspects of railway policy. On this occasion it will perhaps be better to keep more closely to the financial position of the railways, and to examine from a broader point of view what that position is. There is the more reason for adopting this course, because a policy of retrenchment necessarily curtails and limits any attempt to pursue an active policy of development in any direction, and for the moment many of our plans are at a standstill. It is a matter of particular regret to myself that our schemes for improving the conditions of service of our lower paid staff have been grievously retarded, but indeed the slowing up has been general and felt in all departments.

12. From the year 1922-23 up to the year 1929-30 the commercial lines had a surplus in every year and were able to make substantial contributions in aid of general revenues. In the three years from 1930-31 onwards, however, there are deficits, ascertained or estimated, amounting to 3, 7½ and 5½ crores. These deficits can be viewed from one or other of two different points of view. In one aspect what in effect they mean is that the full amount which ought to be allocated to the depreciation fund cannot be provided owing to insufficiency of earnings. This does not mean that the railways have been unable to meet out of revenue the sums actually expended in each year in the replacement of assets, but that they have failed to provide the full sum required to be set aside if the future is to be safeguarded, and our ability ensured to meet fully out of accumulated revenues all sums required for replacements in the future. It is not an uncommon practice for commercial concerns to regulate their actual allocations to depreciation in any particular year not on theoretical grounds but on the basis of the actual results of the year's working. The mere fact therefore that our railways have not been able for three years in succession to meet out of current earnings the depreciation charges in full is not in itself an argument against their ultimate solvency, provided always there is a reasonable prospect that the unfavourable conditions will gradually pass away, so that the losses incurred in lean years may be made good in the more prosperous years which follow.

13. The other way of viewing the position is this. Ordinarily, a company railway in any country in the world would have raised part of the capital invested in the line by means of prior charges such as debentures, and another part in the form of ordinary shares. I will not complicate the comparison by referring to preference shares which might be held to fall in the one class or the other according as the dividend was cumulative or non-cumulative. When trade is depressed and railway earnings decrease, it becomes impossible to maintain the same distributions out of the balance remaining after working expenses have been covered. In that case, the ordinary dividends would first be sacrificed, the provision for depreciation would come next, and the prior charges last of all, because failure to meet them would be an act of insolvency. A State-managed railway, however, is usually in a different position, and certainly this is true of the Indian Railways. The whole of the capital has been raised in the form of what is equivalent to debentures, for the ordinary share capital of the company-managed lines is a negligible proportion of the total. It is true, therefore, to say that, before any allocation can be made for depreciation, interest has to be paid in full on the whole of the capital invested in the undertaking. The point to which I would draw attention is this, that so far as the commercial lines are concerned, if only

[Sir George Rainy.]

one-fourth of the capital investment were in the form of ordinary shares instead of in the form of fixed interest-bearing securities, it would be possible, in each three deficit years, to meet the depreciation charges in full by means of a reduction in, or the total suspension of, the ordinary dividend. When gloomy views are sometimes expressed as to the solvency of the Indian railways, it is important, I think, to bear this aspect of the case in mind. What we have to face, even when the country is passing through the severest economic crisis which the world has yet seen, is no worse than that which an ordinary commercial undertaking has to grapple with, when all obligatory expenditure can be met in full but dividends on the ordinary shares can not be paid.

14. I may be asked, however, what about the contributions to general revenues? The obligation imposed on the railways by the Separation Convention to pay an annual contribution amounting to one per cent. of the capital at charge—subject to minor variations in amount according to the financial results of each year—can be viewed as a measure of taxation imposed on the railways, or as being in the nature of an additional distribution of profits which the taxpayer, who is, I take it, the ordinary shareholder of the undertaking, may fairly claim to receive in addition to the recoupment of the interest he himself has to pay on the money invested in the concern. I am not interested at the moment to consider which of these two views is the more accurate one, but whichever view is adopted, it is clear that when trade is suffering from acute depression, it may be impossible either to realise a tax on railway revenues or to earn any additional distribution of the nature of a dividend or bonus. This has always been recognised, and for this reason the Separation Convention provided for the accumulation of a reserve fund out of the profits of the good years, so that when the lean years came, the contribution would have been collected in advance. Three years ago when the balance in the reserve fund amounted to about 18½ crores it seemed that a sufficient fund had been accumulated to tide the railways over even a series of 3 or 4 years of bad trade. But what we have had to face during the last two years, and must continue to face in the coming year, is something much more serious than an ordinary trade depression, namely, a catastrophic decline in prices accompanied by the greatest slump in trade which the world has yet seen. It is impossible for the railways of India, or for any other commercial undertaking, to plan its financial organisation on lines which will provide adequate security against conditions of this kind. Such emergencies have to be faced as they arise, and measures taken to meet the immediate exigencies of the moment. They cannot be planned out in advance.

15. On the revenue side we have endeavoured to alleviate our difficulties by making certain increases in rates and fares, where it seemed likely that by this means additional income could be obtained. The increases made have been mainly in connection with coaching traffic, including both passenger fares and parcel rates, but about six weeks ago a surcharge of 15 per cent. was imposed on coal freights apart from shipment and bunker coal, and this is by far the most important change in goods rates. I refer especially to this increase, because I should have been most unwilling to agree to it, had the financial position of the railways been less serious than it is. I have long held the view that it is in the interests of the railways to keep coal freights at the lowest level commercially possible, because cheap coal is essential to industrial development, and industrial development means increased traffic for the railways. But on this occasion circumstances left no alternative. It could not be doubted that a higher charge, to the extent imposed, could in fact be realised without

diminishing traffic, and even with the addition made, our coal freights still remain at a very low level.

16. In my budget speech last year I explained my view that no solution of our difficulties was to be found in any general increase in the level of freights and fares, and all that has occurred since then has strengthened the conviction which I then formed. Conditions being what they are, and the root cause of all our difficulties being the lack of purchasing power of the community as a whole, any general increase in freights and fares would defeat its own object. The subject which has engaged my own attention during the last year has been rather the converse question whether we might not secure increased revenue from a reduction in freights on certain commodities owing to the expansion in the volume of traffic which might follow. In particular, in accordance with the undertaking which I gave in my budget speech last year, the question of cotton freights was specially examined last autumn and was discussed with the Agents of the lines principally concerned. But I have not yet been able to satisfy myself that a freight reduction in any class of agricultural produce could be effected without a substantial loss of earnings, and as things stand to-day, such a loss could not be faced. The sole experiment we have made in this direction, namely, the reduction in the wheat freight to Karachi which was made in July last, was not so successful as to encourage us to undertake further experiments of the same kind. Owing to changes which took place shortly afterwards in the level of prices within and outside India, the export of wheat became impossible, and no increase in the volume of traffic followed, but merely a diversion of trade within India from one route to another involving an appreciable loss of revenue to the railways.

17. The question of cotton freights, as I have already said, received special attention, and had prices remained at the level which they touched at the beginning of September last, there was great reason to apprehend that the existing level of freights could not be maintained, since it was becoming doubtful whether, without a reduction, the crop would move. The departure from the gold standard, however, in that month brought about an immediate rise in cotton prices, and this tendency became subsequently still more accentuated owing to an unexpected shortage in the cotton crop, especially in the Central Provinces and Berar. With prices as they now stand, Government are satisfied that there is no danger that the cotton crop will not move, and no adequate grounds have been established for the reduction in freight. The general question, however, is one which requires constant and close observation, and I have personally drawn the attention of the Agents of the principal lines to the necessity of seeing that the matter is not overlooked.

18. Throughout the year the one subject on which the time and energies of every one connected with the Railway Department has been concentrated has been Retrenchment. Into the details of the subject I will not enter now, for Honourable Members will find full particulars of the action taken in order to bring down expenditure in the Railway Board's memorandum, and in the special memorandum which has been prepared to show the action taken on the report of the Retrenchment Sub-Committee, and no doubt I shall have opportunities of dealing with the subject when the cuts are moved. In the main, costs have been reduced not by any spectacular curtailment of activities, but by the aggregation of an immense number of small economies in every branch of the administration. This is an aspect of the case to which I drew special attention last year, and I need not dilate upon it again. I should like, however, to take this opportunity of acknowledging the very valuable services of the Railway Retrenchment Sub-Committee and to express my appreciation of the assistance we have obtained from their recommendations.

[Sir George Rainy.]

To a very large extent we have found it possible to take action on the lines suggested, and where we have found it impossible to go quite so far as the Committee wished, we have given their views the most careful consideration before departing from them.

19. One of the recommendations of the Sub-Committee was the appointment of an expert committee to go further into the question. That was a recommendation which I welcomed, for I am convinced that the railways of India have everything to gain and nothing to lose from a review of their practices and methods by experts with railway experience in other countries. We took all steps possible to bring about the constitution of such a committee which would visit India during the current cold weather. We were disappointed, however, to find that the services of the experts whom we hoped to obtain could not be secured, and we were driven to the conclusion that the appointment of the Committee must be postponed. The object aimed at in the appointment of such a committee is of course something much more far-reaching than the mere enforcement of economy in the ordinary sense, for it may involve very considerable reorganisation of methods, and for this purpose it is necessary that the qualifications of the members should be of the highest kind. It is my earnest hope that it will be possible to arrange for the appointment of such a committee next cold weather, so that our methods of working may be reviewed by those who can speak with authority and from their knowledge of what is done elsewhere.

20. The question may be asked—what is to be the future financial position of the Indian railways and how are they to emerge from the very difficult position in which they now stand? These are questions with far-reaching implications and easier to ask than to answer, but one thing at least is certain, that since the crisis was brought about not by any circumstances peculiar to India but by economic conditions extending over the whole world, a permanent solution of the problem can be achieved only on a worldwide scale. The various countries in the world are now so closely knit together that conditions in any one country have immediate and far-reaching effects on all other countries. It would take me far beyond my proper sphere to enter into any analysis of the world conditions to which I have referred, but this perhaps may be said that, if the statesmen of the world fail to find a solution of the difficulties with which they are faced, the financial position of the Indian Railways is merely one very small item in a long list of commercial undertakings of all sorts whose very existence will be threatened.

21. This is the last occasion, Mr. President, on which I shall have the honour of submitting the Railway Budget for the consideration of this House. When I look back on the series of speeches I have delivered, I am somewhat ashamed at the prolixity with which at times I have spoken. On this occasion I have striven to be more concise, but I cannot close without paying a special tribute to all those with whom I have been associated during the last five years in the administration of the Railways of India. To all of them I owe a very deep debt, but I shall name only two, and the first is the Financial Commissioner: Sir Alan Parsons is about to quit these Benches and to transfer himself from the Railway Department and the Legislative Assembly to the Finance Department and the Council of State. I sometimes wonder whether in the dignified repose—the *otium cum dignitate*—which we naturally associate with the proceedings of the Upper House he will not sometimes look back with regret on the long series of supplementary questions with which he has had at times to grapple in this House and the genial Parliamentary ferocities with which Honourable Members opposite sometimes enliven our discussions.

I do not know how long they will linger in his memory, but in my own they are already tinged with the tender hues of regret, as of 'old unhappy, far off things and battles long ago'. But whatever I may remember, I shall not forget the days I have spent with a very faithful administrator and a very loyal colleague. (Applause.) It is a great satisfaction to me to know that he will have in Mr. Rau a worthy successor who has already proved his capacity. (Applause.)

22. The second of my associates whom I desire to name is the Chief Commissioner, Mr. Russell. To him has fallen what is perhaps the most difficult task of all, namely, to guide and administer the railways during the era of retrenchment. It is one thing to take over charge of a great commercial organisation at the beginning of a boom when money is plentiful, new schemes can be initiated and each scheme in turn seems to lead to satisfactory results, and it is another thing—and here I speak from personal experience—to take charge of such an organisation at a time when the period of prosperity has passed, or is passing, and each month seems gloomier than that which preceded it. In my first Budget speech I paid my tribute to the work which had been done by Sir Clement Hindley, and I desire now to acknowledge the value of the services Mr. Russell has been able to render at a time not of success and prosperity but of gloom and depression. Retrenchment on the railways spells discouragement on every side, the abandonment of deeply cherished hopes and ambitions—a construction programme reduced almost to negligible proportions, the indefinite postponement of all schemes of improvement, whether in traffic working, in the provision of increased amenities for the travelling public, or in improvements of the condition of the lower paid staff. It has often seemed to me as if all the work which between 1922 and 1929 was devoted to the improvement of the railway administration of India was being pulled to pieces and scrapped, and when that is the case, to avoid discouragement is not easy. It became necessary, as the trade depression intensified, to inflict real and serious hardship on all classes of railway servants, whether in the form of reductions in pay or reductions in establishment involving many discharges. Nor was it only the immediate loss which the staff had to apprehend, but also the curtailment of prospects in the future, for in every grade the number of appointments has been cut down, and in many cases hopes of promotion have been indefinitely postponed. It is in work of this kind that Mr. Russell and I have been engaged during the past year, a more unwelcome task I cannot imagine.

23. On this subject I am only going to say two things more. If you think of going out to shoot tigers, Mr. Russell is a good man to have as a companion, for if a cool head and an undaunted heart are what you want, he will see you through. The second thing I wish to say is this. If we at headquarters have had an unpleasant time but have striven to meet the crisis in the only way it can be met, what about the great body of railway servants throughout India whose lives from day to day have been profoundly affected by the policy of retrenchment—how have they met the crisis? The answer to that question can be given quite shortly and simply. From the highest ranks to the lowest they have met the emergency in the spirit of loyalty and service, carrying out the policy which circumstances have imposed upon us with unflinching resolution, and frank acceptance of what is inevitable, however unwelcome. (Applause.) If I did not pay my tribute to the way in which the great body of railway servants throughout India have passed through these critical times, I should indeed be unworthy to fill the post which I have held for the last five years. That honour and that trust are now to pass to other shoulders. But so far as I am concerned, I have no doubt at all as to the future of the Indian Railways. We cannot indeed control world conditions, and with other

[Sir George Rainy.]

countries we may be involved in a common catastrophe. But in so far as our difficulties can be combatted by our own resources, I have complete confidence that so long as our staff are imbued with the spirit they have shown during the last two years, every difficulty will be met and every obstacle overcome until the return of prosperity enables us to resume that active policy of development on which India's economic future so largely depends. (Applause.)

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE—*contd.*

Mr. President: Further consideration of the Report of the Public Accounts Committee on the Accounts for 1929-30.

Mr. Abdul Matin Chaudhury (Assam: Muhammadan): Sir, to-day I want to draw the attention of the House to only one question, the question to which Dr. Ziauddin Ahmad referred yesterday, I mean the question of the apparent deterioration in the finances of the Posts and Telegraphs Department. More than a year ago, when speaking on the Report of the Public Accounts Committee, I had pointed out that the deficit in the Posts and Telegraphs Department was due not to any inefficiency or extravagance in the Department, but it was mainly due to certain arbitrary financial arrangements that were imposed upon the Department when it was commercialised. I now find that the Postal Accounts Enquiry Committee, of which my Leader Sir Cowsaji Jehangir was the Chairman, and on which such eminent experts as Mr. Kaula, Controller of Civil Accounts, and Mr. Pearson of the London General Post Office were members, fully endorsed the view that I expressed on that occasion. That Committee, which was appointed on the recommendation of the Public Accounts Committee, after going carefully into the accounts of the Posts and Telegraphs Department, has come to a very remarkable conclusion. They have found that if unfair and unjustifiable charges were not saddled upon the Department when it was commercialised, the result of five years working ending in 1929-30 would have been a profit of 48 lakhs instead of a cumulative deficit of 95 lakhs. This means that for the last five years, the other Government Departments have raided the Postal exchequer to the extent of one crore and 48 lakhs. Naturally the Postal Department has shown a deficit, and retrenchment, reduction of salaries and raising the postal rates, have been put forward as the obvious and inevitable remedy. The account that was being presented from year to year showing a deficit did not represent the true picture of the financial position of the Department. It was unreal in this sense, that it represented the result of working not according to true commercial principles but under unfair conditions that were unjustifiably imposed by the Government. In previous years the Public Accounts Committee had drawn attention to the fact that, in determining the rate of contribution to the Depreciation Fund the life assigned to fixed assets of the Department were under-estimated and the rate of contribution was fixed too high. This will be evident from the fact that during six years ending in 1930-31, a sum of one crore and 87 lakhs was contributed to the Depreciation Fund, while the amount actually spent on renewal and replacement came to 51 lakhs. The Postal Accounts Enquiry Committee has recommended a revision of the length of life of

fixed assets and of the rate of contribution to the Depreciation Fund, and if Government accept that recommendation, there will be some improvement in the commercial results of the Department.

Then, Sir, about interest charges. The Government of India allowed interest on the Depreciation Fund at a lower rate than what they were charging on the Capital outlay of the Department, from 1925 to 1930. It is certainly unfair, Sir, that the Government should pay at the rate of 3.75 to 4.5 per cent. on the deposit of the Depreciation Fund, and charge them over 5 per cent. for money advanced for capital expenditure. Since 1930-31 these two rates have been equalised, but in the meantime the Postal Department has been deprived of Rs. 62 lakhs for interest on depreciation alone. When the Government have accepted the policy of equalising the two rates, I think it is only fair that the Postal Department should be reimbursed of the money that has been taken from them during these five years.

Then, Sir, about the rent of the telegraph wires. For the last five years, the Public Accounts Committee have been pressing for a speedy settlement of this question of rent that is to be realised from the Railway and Canal Departments for the telegraph wires that are leased out to them. The importance of this to the telegraph revenues will be realised from this fact, that out of the total telegraph revenue of 2 crores and 81 lakhs, 58 lakhs are realised from the rent of these wires alone. Now, Sir, this one question could not be settled in five years as to whether the annual rent of these wires should continue to be 24 per annum, as was fixed so far back as 1909 or whether it should be increased to 40 in the case of iron wires and 56 in the case of copper wires. My Honourable friend Sir Alan Parsons to whom very high compliments were paid this morning, with which I fully and whole-heartedly associate myself, is a past master in the art of obstruction (Laughter). He is an expert haggler, and for the last five years he has been persistently resisting the just claims of the Posts and Telegraphs Department. The Postal Accounts Enquiry Committee at last recommended that the matter should be referred to impartial adjudication, and I think the sooner it is done the better for all concerned.

Then, Sir, there is the question of unified stamps. Under the Stamp Act, postage stamps of half anna, one anna and two anna denominations may be used for the purpose of stamp duty, and the Postal Department from the sale proceeds of their stamps make a contribution to the Provincial Governments as their share of the stamp duty. Now, Sir, in the year 1923-24 when the sale proceeds of stamps amounted to Rs. 6 crores and 80 lakhs, they contributed Rs. 19 lakhs to the provinces; in the year 1929-30 when the sale proceeds were 7 crores and 17 lakhs, they had to contribute 47 lakhs. On a previous occasion I suggested that this amount could be very appropriately reduced by at least 20 lakhs. I now find that the Postal Enquiry Committee have also come to a similar conclusion. They have not named any exact figure, but they have found that the rate of contribution is too high and unfair to the Posts and Telegraphs Department. They have recommended the introduction of separate revenue stamps for three years as a temporary measure, in order to ascertain the real basis on which the contribution to the provinces can be made. To this, Sir, I would like to add another suggestion. If at the end of three years, it is found that the Postal Department has been

[Mr. Abdul Matin Chaudhury.]

paying more to the provinces that is due to them, then I think the Postal Department should be relieved of the payment of surcharge to that extent.

Then there is another question, the question of pensionary liabilities. With all respect to the high authority of the Committee this is one point on which I differ from their recommendation. I have not been able to understand why this contribution to the pensionary charges should be based not on the actual amount that is spent during the year, but on the pensionary liability that is to be met on the retirement of the official. If the Government of India continue to exist and if they continue to be solvent, there is no danger of the Postal Department going into liquidation. Then why make provision for a contingency which is not likely to occur? Why spend more money on the pensionary charges than is necessary for pensions accruing during the year?

An Honourable Member: What is your suggestion?

Mr. Abdul Matin Chaudhury: Only the actual amount that accrues during the year should be paid.

Then, Sir, even if we accept this actuarial basis, there is another point to be noted. The Committee has pointed out that in the Budget estimate of 1930-31 the contribution for pensionary charges has been calculated on the basis of 8.2 per cent. of the whole salary of the pensionable establishment of the Department. It has been found subsequently that this figure is based upon insufficient data supplied to the Government Actuary, and the Committee has found that the actual percentage should be 7.456. But because of this difference, the Postal Department had to pay Rs. 17 lakhs for 5 years as excess payment. Now, Sir, as this is due only to an error of accounts, I think it is only fair that this money should be refunded to the Postal Department.

Sir, this is all I have got to say with regard to the recommendations of the Postal Accounts Enquiry Committee. If Government want to put the finances of the Postal Department on a sound basis, it is very necessary that they should give immediate effect to the recommendations of this Committee. It is necessary that they should come to an early decision on the matter, and in that case there will be no occasion for raising the Postal rates or reducing the salaries of the Postal employees and things like that.

Mr. B. Das (Orissa Division: Non-Muhammadan): Sir, this is the first occasion when non-members of the Public Accounts Committee have shown a keen interest in the discussion of the Public Accounts Committee's Report, and I congratulate those Honourable Members on their taking a certain interest in the affairs of a Committee that sits in a room somewhere and nobody here knows the hard work and the strain that the Committee is put to. My Honourable friend Mr. Joshi referred to the practice in England and asked why in India we have not got a non-official Chairman. I would welcome a non-official Chairman of the Public Accounts Committee but not at this stage. So long as there is not a full transfer of control of the Government of India, it is idle for a non-official to aim at presiding over the Public Accounts Committee and doing the work so successfully as the official Chairman does it at present.

Mr. N. M. Joshi: (Nominated Non-Official): What about the new constitution?

Mr. B. Das: If my friend, Mr. Joshi, suggests that in the new constitution there should be full transfer of financial control and then a non-official should preside, I entirely agree with him; but if he thinks that an attempt should be made in the meanwhile, I differ from him, because the results that we get in the Public Accounts Committee and the information we get there are due to the fact that the Finance Member is the Chairman of the Committee: otherwise we would never get it if a non-official were Chairman. That is my impression: departments would not do things with that alacrity which they should if the Finance Member were not Chairman of the Committee.

My friend, Dr. Ziauddin Ahmad, gave us a tall order last evening. I went through his criticism, but I rather thought that he misunderstood the function of the Public Accounts Committee. We are there to do a *post mortem* examination of the things that various committees of this House and this House itself sanction; and when we do that *post mortem* examination, I cannot understand what else we can do; I shall be glad if some Member will enlighten me how to do that—because I am a very old member of the Public Accounts Committee—how we can exercise control over the financial expenditure policy of the Government two years after, and how we can determine the policy of the Government of India. Of course if my friend Dr. Ziauddin had read the Report of the Simon Commission, he must have read a certain passage there where it is mentioned that the Public Accounts Committee is very jealous about its rights, and I think the Public Accounts Committee in the past have exercised its rights, and have expanded its rights and privileges. There was a time when we could not discuss the merits of non-voted expenditure. This was conceded. But when Dr. Ziauddin asks us to exercise functions which members of the Standing Finance Committees ought to exercise, I am surprised that he should pass such a tall order on the members of the Public Accounts Committee.

My friend, Mr. Abdul Matin Chaudhury, who is a very old member of the Public Accounts Committee and whose absence most of us deplored during the last session of the Committee, as he was away on an important private mission of his, suggested that we should discuss the Postal Committee's Report—of his leader Sir Cowasji Jehangir. This is a subject which the Public Accounts Committee want to consider this session, and they never went into the merits of the questions raised in that Report. So I think at least the non-official members of the committee will bear in mind his suggestions and see how far they can be translated into action.

Now, coming to the main Report, I wish to draw the attention of Members to paragraph 21 of the Report. It has been the practice of the Government so far to issue a Resolution on the action they take on the recommendations of the Committee. This is the first time when there has been no Resolution issued by the Government, but instead quarterly statements were issued to the members of the Public Accounts Committee as to the action already taken by the various departments. Another very salutary feature that was introduced in the Report of 1928-29 was that the proceedings of the Committee, apart from the main Report, were taken as part of the recommendations, and Government departments were asked to take action on it. In our examination last year we found

[Mr. B. Das.]

that departments did not pay proper attention to the recommendations of the Public Accounts Committee or to the suggestions made therein. Sir, I will read one or two lines about what we have recommended in paragraph 21 :

"While recording our appreciation of these quarterly statements, we wish to point out that the Finance Department has yet to evolve an entirely satisfactory machinery to expedite and co-ordinate departmental action on our recommendations. Various instances came to our notice where it appeared that departments adopted a dilatory attitude in regard to our recommendations. We consider that each department should delegate the duty of scrutinising our report to a responsible officer of the department and that such office should be in close touch with the Secretary of the Public Accounts Committee throughout the year."

I draw the attention of the Government of India to this particular recommendation and I hope the Honourable the Finance Member will devise necessary machinery so that the actions of the various departments may be controlled.

In this respect the Railways are the most guilty parties. It is a very big department, of which my Honourable friend, Sir Alan Parsons, is the controller, and naturally because he has a dual function to perform—he is the financial conscience or, as my Honourable friend, Mr. Neogy, always puts it, he is the financial spirit of the Honourable Finance Member; and he is the railway spirit of the Honourable the Railway Member—so naturally Sir Alan Parsons thinks, "Well, I have appeared before the Public Accounts Committee: I have told them what I had to say. Why should I worry and why should the Railway Department worry to go over the volumes that they write, and why should we take regular action and supply all this information to the mere Secretary of the Public Accounts Committee who usually happens to be a subordinate official of the Finance Department?" Of course, as my friend the Leader of the House just now said, when Sir Alan Parsons is translated to the Upper House and assumes charge of the onerous and responsible duties of the Secretaryship in the Finance Department, he will also change his outlook towards these recommendations of the Public Accounts Committee and he will try to insist that every department, even his present pet department, the Railway Department, will conform to the rules of the Finance Department.

My friend, Mr. Nabakumar Singh Dudhoria, alluded to the present loan policy of the Government to the Provincial Governments and to Indian States; and my friend, Dr. Ziauddin Ahmad, came forward to defend a particular State, absolving that State of any responsibility for that loan and blaming some imaginary parties, whether the Central Government or the Provincial Government—I did not catch what was exactly in his mind. This problem has been agitating very much the Public Accounts Committee for the last two years; and this year we have made special recommendations. We have this year in paragraph 35 of our Report drawn the attention of Government to two aspects of the question and say :

"We desire to record our view that such an examination must be regarded as one of the most vitally important duties of the Government of India,"

This examination means about the financial success of the loan project of a Provincial Government or an Indian State—

"and that the responsibility for it should be clearly laid down so as to avoid any possibility of misunderstanding as to where it lies at all stages of the consideration of any business."

At present Provincial Governments come forward and take loans. I would like to be corrected if I am wrong, because I am not such a big financier as the Honourable the Finance Member or the Deputy President is, but what is the position? The position, as I understand it, is this. The provinces have got their capital projects. They start certain projects and want capital say 20 or 30 crores. Somehow their engineers convince the Local Legislatures about their estimates. The engineers first draw up a scheme costing say 5 or 6 crores of rupees. The Government of India have at present no machinery to examine whether these projects will be successful at all from the financial point of view. The Government of India foot the bill; the Government of India usually take short term loans for say 10, 15 or 20 years, but the Provincial Governments pay the Government of India on a distributed basis for a period of 80 years so to say, and then in the meantime the expenditure on each projects goes up from 4 or 6 crores to 20 crores. Sir, I will instance the case of the Bombay Development Scheme in your own town—Bombay. There is also the Sukkur Barrage scheme in the Bombay Presidency; there is the Sutlej Valley Scheme of the Punjab, and in each case we find that actual expenditure has been three or four times more than the original estimates. Now, who stands responsible for the design of these schemes and who stands responsible for the losses? Then we found that there is a system in practice, that if a particular project is to be carried out in three years, then all the interest charges of those three years should be added to the capital. Somehow, these engineers blunder,—I am sorry, I am an engineer,—and I am sorry for these engineers who blunder and commit the Provincial Governments in this way. If there is a scheme of 3 years, it becomes a 10 years' project, with the result that the interest gets piled up on the original expenditure, and so the loan advanced to the Provincial Governments or to a certain Indian State becomes more than it was anticipated in the beginning. Sir, these are very difficult issues and with the new constitution of Swaraj, with the Provincial Governments demanding autonomy; how is the financial control going to be exercised on provinces? How are they going to pay off their past debts to the Central Government, and how are they going to incur their future debts? Will their past loans taken from the Central Government and which they have spent on projects which will never pay, be a first charge on the revenues of the Provincial Governments? These are some of the points that agitated us. Of course, we were not the final authority even to give an opinion. We have drawn the attention of this House and of the Government of India to these points, and since the Government of India are on the point of bringing out a new constitution, they have to say how these past commitments of the Local Governments and the Indian States are going to be met, and how also future commitments will be made, and for these things rules will have to be made at the time of the constitutional settlement.

Now, Sir, the same observations apply to the Commercial Department, that big department which my friend Sir Alan Parsons controls. There is the Vizagapatam Harbour scheme. That was a pet scheme of a former

[Mr. B. Das.]

Commerce Member of this House, Sir Charles Innes. It was stated at first that this scheme would cost about 220 lakhs. Will the Honourable Member kindly give me the figures?

Sir Alan Parsons (Financial Commissioner, Railways): Our present estimate is I think about 320 lakhs.

Mr. B. Das: What was the original estimate?

Sir Alan Parsons: The original estimate was I think 2 crores 27 lakhs.

Mr. B. Das: Now, the original estimate was 2 crores 27 lakhs. I think the Commerce Department contains the best experts. If the Government of India have not got experts, I do not know how the Provincial Governments will have experts,—and this Vizagapatam Harbour scheme was designed to be completed in 5 years. It has not yet been completed, and the cost of the project is increasing. From the memoranda which the Railway Department have placed before the Public Accounts Committee, we find that the project will never pay even .15 per cent. on the capital invested. Sir, if that be the case with the Government of India with their high salaried experts, what will not happen in the provinces? I draw the attention of this side of the House to the fact that this is only one instance. There are various other instances in the railways such as the Kangra Valley project, which was a dream of a particular Governor of the Punjab. The Governor invites a certain engineer, talks over the question to him, then the project starts. Whereas the Governor was going to spend 94 lakhs on a light railway, they have already spent about 3 crores, and the Government of India will never get any return on it. That is all the result of bad estimating, bad examination and bad control by the Finance Department and I hope suitable machinery will be devised to exercise adequate control over these matters.

Sir, last year I drew the attention of this House to the overdrawal of monthly balances by the Provincial Governments. The same thing happens with the Railway and Postal Departments as well. I find this year from the statement which the Auditor General supplied us, that most of the Governments, except the Government of Bengal and also the Government of Bihar and Orissa, have overdrawn from their monthly balances. In that respect the Burma Government is the most guilty. Last year we recommended:

“As in 1928-29, Treasury Bills were outstanding throughout the year; for the purpose *inter alia* of supplementing the central balances, the overdrawals of Burma in 1928-29 must have had the effect of increasing the borrowings of the Central Government and of increasing the interest charges borne by the Central Revenues.”

And I believe when the Honourable the Finance Member rises to reply, he will also say the same thing has happened during the year 1929-30. I find the Burma Government has overdrawn for six months, in the month of August their overdraft was 1 crore 18 lakhs, and I find it went up in December to 249 lakhs, January 279 lakhs, February 288 lakhs and so on. Sir, these are alarming figures. The other day I asked a supplementary question whether these short term loans or short advances that were made to the Provincial Governments will carry interest. At the time what I had in mind was whether these overdrafts drawn by Provincial Governments

to meet their temporary requirements could not be met from their revenues. Of course, if the Finance Member said that the money taken by the Provincial Governments was to bear interest, I have nothing to quarrel about, but I understand that the Provincial Governments are so much accustomed to have overdrafts that they might have in this case taken short term accommodation without paying any interest to the Government of India.

Sir, we are now discussing the Public Accounts Committee's Report just three days before we discuss the Railway Budget, and I do not like to go today into the serious irregularities and the serious situation to which attention was drawn by the Public Accounts Committee. But I would ask my friends on this side of the House to read the notes that are appended to Volume I of this Report. I regret that Volume II, the Evidence Volume, is not published, but the Honourable the Finance Member admirably summed up the feeling not only of the Public Accounts Committee but also of this House in a short statement in which he alluded to the weaknesses of the Railway Department that appeared to the Public Accounts Committee. But I will have ample time to discuss it next week and so I am not alluding to it now. I only want to ask the Honourable the Deputy President one question. The Public Accounts Committee has referred to him on a point that was brought to our attention by the Auditor General, Sir Ernest Burdon. We want to know when he, as the Chairman, made those recommendations of the Railway Retrenchment Sub-Committee on retrenchment on the railway audit side whether he had the points that were raised by the Public Accounts Committee and what his present views in the matter are.

Mr. E. K. Sharmukham Chetty (Salem and Coimbatore *cum* North Arcot: Non-Muhammadan Rural): I would like to express my thanks to my Honourable friend Mr. B. Das and his colleagues on the Public Accounts Committee for the silent, solid and useful work that they have turned out. I must congratulate them on the thoroughness with which they have discharged their task. It is a great pity that the Report of the Public Accounts Committee has not received at the hands of this House that measure of attention and consideration which it deserves, and I hope that the interest which is now being evinced on this occasion will continue and that the House will take a real interest in the proceedings of this very useful and important Committee.

My Honourable friend Mr. B. Das has invited me to express my opinion about a very important matter which came before the Public Accounts Committee in the form of a note submitted to them by the Auditor General, which contained his remarks on the recommendations of the Railway Retrenchment Sub-Committee, over which I had the honour to preside. My intervention today is merely to express very briefly how I view the question. The matter under review is the enormous growth of expenditure on the accounts and audit departments of the railways. Honourable Members who have read the Report of the Railway Retrenchment Sub-Committee will find that in that Report, a table is given showing the growth of expenditure under accounts and audit in the Railway Department. While in 1924-25 the total expenditure incurred under these two heads was about Rs. 103 lakhs, in 1930-31 the expenditure reached the enormous figure of Rs. 151 lakhs. That is, within a course of about six years, the expenditure has increased by Rs. 47½ lakhs, or very nearly 46 per cent. Naturally the Retrenchment Sub-Committee was interested in studying the growth of expenditure in this department, and they wanted

[Mr. R. K. Shanmukham Chetty.]

to devise means for reducing this expenditure if possible. In the course of our enquiry we had the very valuable assistance of the Auditor General. A few facts which came out in the enquiry are worth mentioning here. It would be observed that the increase on the State-managed railways in these two items is very much greater than on the Company-managed railways. The proportion of the cost of audit to accounts on the State-managed railways is now 16 per cent., while on the Company-managed railways it is about 10 per cent. and in the Military Department this proportion is only 4 per cent. The question naturally arose whether the amount spent on audit in the Railway Department would stand criticism from the point of view of what is a reasonable expenditure that can be incurred on audit. And the Auditor General and the Financial Commissioner of Railways, who gave us help in studying this question, concurred with the Committee that the expenditure incurred on audit was certainly very much higher than what could be justified.

I think I should remind the House on this occasion of the circumstances under which this enormous increase of expenditure came to be incurred. Honourable Members might remember that it was about the year 1927 that on the recommendation of the Standing Finance Committee for Railways

Mr. B. Das: You were on that Committee then.

Mr. R. K. Shanmukham Chetty: . . . this House decided to continue the experiment of separating accounts from audit, and as my Honourable friend Mr. B. Das points out, I was one of those who strongly advocated the separation

Mr. B. Das: And I strongly dissented from it.

Mr. R. K. Shanmukham Chetty: And I am glad that I have lived long enough to learn the lessons of that separation. (Laughter.) It is worth while noting that when this scheme of separation of accounts from audit was placed for consideration before the Standing Finance Committee, they gave their approval under the impression that the separated scheme would really cost less than the combined scheme. It was given to the Standing Finance Committee by, I suppose, the Financial Commissioner of Railways that the new separated scheme would really cost about Rs. 1,97,000 less than the combined scheme, and the then Auditor General, Sir Frederic Gauntlett, in giving his approval for the scheme of separation, based his consent mainly on the ground of the supposed economy that would accrue. I have no doubt that when this House sanctioned the scheme of separation, they were as much actuated by the prospect of economies resulting from separation as by the advantages that were supposed to accrue as a result of separation. On the question whether from the point of view of efficient management accounts ought to be separated from audit there certainly cannot be two opinions. Those who have got experience of commercial organisation and business would very readily agree that the accounting branch of a business organisation must be more directly in touch with the executive of the department and that audit must be entirely independent and free from the control of the executive—that in theory it is wrong to combine the two under one

head. The Acworth Committee first drew the attention of the Railway Administration and the Government of India to the desirability of effecting a separation. Subsequently the inquiry conducted by Sir Arthur Dickinson also endorsed the scheme for separation, and on the recommendation of the Financial Commissioner and the Standing Finance Committee, this House finally gave its approval to the scheme of separation.

The question with which we are faced to-day is not whether on theoretical grounds it is advantageous to have accounts and audit separated, but whether under the present financial stringency, the Railway Administration can afford to bear this enormous burden. The problem with which the Railway Retrenchment Sub-Committee was faced was to decide whether it would be possible to retain the advantages of a separated scheme and also reduce costs, and if not whether it would be worth while to go back to the old system of combining both account and audit. The Railway Retrenchment Sub-Committee was convinced that it would certainly be worth while to retain the separated system, but they were very strongly of the opinion that if this system is to be retained, then a radical reduction ought to be brought about in cost. I am glad to find that in the note submitted by the Auditor General he says that:

"The greater part of the general discussion in question"—(meaning the discussion in the Report of the Railway Retrenchment Sub-Committee)—"is unexceptionable from my point of view and the conclusions generally flow from the technical evidence."

Therefore I contend that there is not really any fundamental difference of opinion between the attitude taken up by the Railway Sub-Committee and the views expressed by the Auditor General in the note submitted to the Public Accounts Committee. There is however room for misconception in one particular direction. When this question was discussed by the Public Accounts Committee, the Auditor General seems to have put a direct question to the members of the Public Accounts Committee whether they were prepared to assent to any substantial diminution in the information as regards railway receipts and expenditure and in the facilities for financial control which had been afforded to the Legislature under the existing system. Now when that question is asked of the members of a Committee of which Mr. B. Das is a member, it is not a matter for surprise that they gave the answer that they actually gave. Their answer to that question was decisively in the negative, more especially as they felt that even with the existing facilities, the opportunities for financial control by the Legislature over railway expenditure were not entirely adequate or satisfactory. Now, what I would like to say, is that neither myself nor any other member of the Railway Retrenchment Sub-Committee intended that, as a result of the report that we made, the financial control of this Legislature must in any extent be lessened or that the information now supplied by the Railway Administration should be curtailed. But the Auditor General seems to have said that after careful consideration, he felt no doubt that the recommendations of the Retrenchment Sub-Committee regarding railway accounts combined with the recommendations on railway audit would lead to a substantial diminution of the existing facilities for financial control and the Committee felt bound to accept the Auditor General's opinion. I am also prepared to accept the Auditor General's opinion, he being an expert in these matters, that the actual carrying out of the specific recommendations that we made might lead to this result. (But) Sir, we certainly did not contemplate that it must lead

[Mr. R. K. Shanmukham Chetty.]

to that result. Apart from this, I would like to inform Honourable Members that the specific recommendations that we made in this direction were not meant as cut and dried schemes for immediate adoption, but as a basis for discussion and consideration. The Committee was convinced that the expenditure now incurred on accounts and audit was not justifiable. The Committee was also convinced that there was considerable scope for effecting economies on the audit side, and so we asked the Auditor General himself to advise us as to what in his opinion must be the retrenchment measures, and he told us that, without making a full and detailed investigation, he was unable to recommend any practical scheme to effect economy, and he further told us that if he were to discharge faithfully the statutory duty imposed upon him, he could not get on under the present circumstances with any staff which is less than the staff given to him. Now, when the Auditor General said that he was not in a position, without further inquiry, to advise us specifically on these points, we had no alternative but simply to fall back upon our own wits, and we recommended for the consideration of the Auditor General and the Government certain schemes which we thought must form an excellent basis for discussion and consideration. Therefore let not Honourable Members think that the specific recommendations that we made were meant to be carried out in the form in which we recommended them. I insist, and I hope the House will also insist upon this, that the Government of India and the Railway Administration must lose no time in conducting this investigation. I am clearly convinced that the Railway Administration cannot afford to pay this heavy price for account and audit. The expenditure incurred on audit is very much higher in proportion to accounts than the corresponding expenditure in audit in any commercial organisation, and I hope therefore that the Government of India will either try to find out means of reducing the expenditure substantially, and at the same time retain the existing system, and if they find that it is impossible to effect economies under the existing system, to go back to the system of amalgamated accounts and audit.

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): I should like to deal first with the point raised by Mr. Chetty. Not only do I agree with him that the expenditure on audit and accounts in the Railway Department is too much, but I further believe that the expenditure under all heads in the various branches under the Government of India is too much and the elected side of the House will always urge that the Government should take steps to curtail the expenditure; but as regards the particular issue raised, we in the Public Accounts Committee merely said this:

"These recommendations are being examined by the Government, but we were asked in connection with this examination whether we should be prepared to assent to any substantial diminution in the information as regards railway receipts and expenditure and in the facilities for financial control which have been afforded to the legislature by the existing system. After careful consideration we have to record that our answer to the specific question put to us must be decisively in the negative, more especially as we feel that even with the existing facilities the opportunities for financial control by the legislature over railway expenditure are not entirely adequate or satisfactory."

Mr. Chetty also agrees with this part of our Report. As regards the main question, I think Mr. Chetty will also concede that it is not very

fair to compare ratios of expenditure for audit of Army and Railways and so the similarity between expenditure for audit on the Army side and the railway side cannot be expected, because the railways are run on a commercial basis; while the Army expenditure is non-votable and nearly fixed. As a matter of fact the audit expenditure in those cases where commercial accounts are kept will certainly be more heavy. But if the difference in ratio is very great then the matter must, of course, be inquired into; but as regards Company-managed railways, we found by the result of test audit that the state of affairs in accounts is far from satisfactory. We recommended on more than one occasion that there should be a more thorough audit of the Company-managed railways. As a matter of fact the Public Accounts Committee were not satisfied with the amount of test audit that now obtains in the Company-managed railways. Now I like to discuss the other important point raised by my friend Mr. Joshi whether from the constitutional standpoint it would not be desirable to have a non-official Member from the Opposition to preside over the Public Accounts Committee. I know that is the rule at least in the British Parliament, but there is some practical difficulty. There, the Leaders of the Opposition also have experience of the administration; the Opposition to-day is the Government to-morrow. So the Opposition Leaders also have sufficient administrative experience to discharge the duties of the President of the Public Accounts Committee as efficiently as desired, but our difficulty at present here is that a non-official chairman lacks the experience of the day to day working of the administration and that puts him at a great disadvantage to preside over such a committee. So I agree, and though on principle my sympathies are with the views of Mr. Joshi, I agree with Mr. Das that so long as there is irresponsibility in the Central Government, the present system must continue. Fortunately for us the experience that we have of our Presidents of the Public Accounts Committees supports this view. I had the privilege of working with Sir Basil Blackett, and for a short time with Sir Bhupendra Nath Mitra, and now with Sir George Schuster, and I must say I always found that they tried to forget their official position as Finance Member when they presided over the Public Accounts Committee.

Mr. Das has dealt with almost all the major points that we raised and discussed in our Report. I shall, however, merely refer to some of the points. The first is about the Kangra Valley Railway. Here I have only one word to say. As a matter of fact the Government agreed to make an enquiry; and there was a Report by the Special Committee that investigated into the details of the Scheme, but I wondered, as I went through that Report, how it might be expected of a committee composed of the subordinates of the very same officials whose conduct was under examination to discharge their duty properly. I think, as a matter of fact, mostly the gentlemen whose conduct this Committee had to judge were at the head of the Railway Administration at that time, and the members of the Committee were subordinate engineers, who could therefore hardly be expected to be in an independent position to pass an impartial judgment. In similar cases I suggest such a committee should be composed of outside experts unconnected with the Department. There is an innovation for the future in the Public Accounts Committee for the co-option of three non-official members nominated by the Public Accounts Committee to the *ad hoc* Military Accounts Committee. At first we had some misapprehension that the Military Budget and the Appropriation Reports stood on a different

[Mr. S. C. Mitra.]

footing to other Appropriation Reports. The matter was discussed, and we found that, though the convention was gradually growing that the appropriation accounts on the Military side were sacrosanct and not to be discussed thoroughly by non-officials, in reality there was nothing in the Government of India Act or in the rules to put them on a different footing and we are grateful to the Government that they also raised no objection and they agreed to a compromise by which non-official members of the Public Accounts Committee in future will have a chance to sit on the *ad hoc* committee and go through the accounts themselves in the *ad hoc* committee.

Then the other big question that was raised by Mr. Das concerned loans to Provincial Governments. Here, as a representative coming from Bengal, I say that our Government was deprived of the opportunity to get as much money from the Central Government as some of the other Provincial Governments. Bombay has got by their Back Bay reclamation scheme and by the Sukkur Barrage scheme, several crores for their benefit. Even Madras has got for their Vizagapatam Harbour scheme several crores from the Central Government. Then in the Punjab they have got their Kangra Valley Railway scheme and their Bahawalpur State irrigation scheme. By all these schemes they borrow large sums of money from the Government of India. Then, after a few years it is found that they are not in a position to pay even the interest charges. Therefore, certainly the time will come when these debts will have to be written-off by the Central Government.

Mr. B. Das: Certainly not.

Mr. S. C. Mitra: I merely wish to put emphatically on record that my poor province alone—which moreover has had a deficit Budget of some crores almost every year—did not take the opportunity to borrow money from the Central Government for some such schemes.

Mr. B. Das: Why don't you start a gold manufacturing company on the Bay of Bengal?

Mr. S. C. Mitra: Then, I have a bigger question to raise concerning the minor Administrations. I find that all the favoured administrative units under the Government of India, the more they clamour—the more they wriggle, the more money they can get from the Central Government. For instance, somebody wants more money for the Frontier Province or the province of my Honourable friend, Diwan Bahadur Sarda, irrespective of any consideration of the question as to what is their total contribution to the Central Funds and without any consideration of the legitimate demands of their sister provinces. I think before any such demand for monetary assistance is granted, an attempt should first be made to ensure that these little provinces should be self-supporting, failing which the question of all these provinces should be taken together along with the position of the Central Government's finance and then only should a distribution be made by a subvention determining what amount of money these provinces may claim. This is the more important now because it would seem that Mr. Das is going to have a province of his own, a deficit province.

Mr. B. Das: Mine is not a deficit province; but I want the same privileges and concessions as the North-West Frontier Province wants.

Mr. S. C. Mitra: Take again the case of Sind which is surely another deficit province. All these provinces will not be in a position fully to discharge their financial responsibilities and ultimately will press the Central Government to give them some doles.

Seth Haji Abdoola Haroon (Sind: Muhammadan Rural): How can you say that?

Mr. S. C. Mitra: I merely infer from the reports I have already seen that none of these provinces is expected to be self-supporting. I shall be very glad if, as Seth Haji Abdoola Haroon asserts, his province will be self-supporting. Let that, then, be the one condition on which these provinces should be allowed to have their separate existence.

I shall now finish my remarks by a reference to the position about the railway stores, particularly in the East Indian Railway at Howrah. The Director of Railway Accounts made it perfectly clear in his Report that there was a mismanagement for a long time of large sums of money covering crores of rupees, and the investigation itself required more than roughly a lakh of rupees to put affairs in a proper order. I shall now read from the last portion of the Director of Railway Audit's Report in support of my assertion:

"It transpires that the Financial Commissioner must have been seriously misinformed. Certain arrears in the Stores Accounting Branch were known to exist, and later events have shown that there must have been other serious arrears of which the Chief Accounts Officer of the time must have been unaware, or which he must have omitted to bring to notice. The Reports of Mr. Mitra before the Public Accounts Committee afford sufficient proof of this."

At this stage I do not like to take up all the questions involved in this matter. As a matter of fact, there were no regular accounts of the stores at Howrah for many years involving a large sum and that is admitted by all, but to ensure that in future there may not be such a recurrence it was suggested:

"The Auditor General informed the Committee that he had issued instructions to the Director of Railway Audit to keep in continuous touch with the accounts of the Stores, E. I. R., and he has asked the Financial Commissioner to keep Mr. Mukherji for some time on the E. I. R. in order that he may devote continuous attention to the work. The Committee agreed to the arrangement made and impressed upon Mr. Mukherji the very serious view they take of the matter."

The Committee endorsed fully the views of the Auditor General and expect Mr. Mukherji who will continue to be in charge to devote full attention to it, so that his past labours may not be lost. I should also like on this occasion to remind the Railway Administration that they should not lose sight of their duty to keep a regular account of the stores so that the public may not find themselves in jeopardy about store accounts involving more than several crores of rupees.

Sir Alan Parsons: Sir, it is only on two points that I really wish to address the House, the first being that under dispute between Mr. Das and my Honourable friend the Deputy President. I think the House will probably like to know what action we have taken so far to bring down the

[Sir Alan Parsons.]

cost of accounts and audit on Railways in conformity with the recommendations made by the Retrenchment Committee over which my Honourable friend presided. When we received their recommendations, we came to the conclusion that the first necessity was to enforce all possible economies which we could bring into force without a change in the system. As the House will see from papers we have this morning circulated with the Railway Budget, we have already adopted measures on the accounts side that are expected to yield a saving of rather over 11 lakhs a year on the basis of average cost. I think the Committee over which my Honourable friend presided suggested that the cost should be brought down by about 12 lakhs, so that we have already got very near their figure there. On the audit side, however, it is a matter of very much greater difficulty. The position there is that you cannot get a large decrease in the cost of audit unless you are prepared to have a reduction in the amount of audit check. So far, on the audit side, I understand that the Auditor General has brought in measures of economy amounting to about a lakh a year and he has instructed his Director of Railway Audit to make an investigation to see what further economies can be obtained while the present system exists. When those measures have been taken, then will be the time to consider whether the separation of accounts and audit, which was agreed upon by this House three or four years ago, should be rescinded. As I shall not be much longer connected with Railways, I should like, if I may, to give my own view on that question. I entirely agree with what my Honourable friend Mr. Chetty has said as to the relative efficiency of the two systems, and I propose, therefore, to confine myself to broad considerations of cost, and I would like to take accounts first. I do not believe that you can devise a much cheaper method of compiling your accounts than the method we have at present, and to that extent there is no difference whether accounts are separated from audit or whether they are kept together. The only difference under our present system is this. The scales of pay given to the clerks, accountants and so on in every grade from the top to the bottom in Railways are considerably lower than those which are given to the men who are under the Auditor General. Unless, therefore, the scales of pay are reduced in the departments which are now under the Auditor General, which are higher than those which we have on the Railway Accounts side, the cost of accounts will be increased by reversion to the previous system. For the rest I have to deal with audit. There is no doubt, to my mind, that if you have an internal check such as there is at present under the Financial Commissioner, namely, myself, and an external check by the Auditor General, you will have to employ a certain amount of more staff. The question really then is: how much more staff you have got to employ, and whether the admitted advantages of separation are worth the extra cost of that staff?

As I have risen to speak, I should also like to deal with a point which was raised by my Honourable friend Mr. Abdul Matin Chaudhury. I must thank him very much for his complimentary remarks about myself and especially for his description of me as an expert haggler. Sir, the ability to haggle in an expert manner is by no means a disqualification for a person whose employment is chiefly financial; but on the particular case that he mentioned as an example of expert haggling, I have a bone to pick with my Honourable friend Mr. Ryan. Until about a week ago he had given me no opportunity whatsoever to haggle about it. It was only about

a week ago that the Railway Department got a claim from the Posts and Telegraphs Department on account of the cost of copper wiring amounting to about 5½ lakhs a year. I have no doubt that I could deal with that claim in a spirit of haggling in order to reduce it as far as possible; but I am sure that when we have dealt with the claim in the course of the next month or so, we shall be found to have done so in that attitude of sweet reasonableness which so distinguishes the department for which I am speaking. On the other hand we shall not be precluded from raising against our younger brother among commercial departments other claims on our own side. For example, the rates which the railways are paying for the carriage of mail were, I believe, settled before I was born and I am not at all sure whether as a commercial department we cannot expect to receive from the Postal Department the same rates as would be charged to the public. I am not quite certain therefore whether my Honourable friend, Mr. Ryan, or his supporter Mr. Abdul Matin Chaudhury, are well advised to open this question of inter-departmental adjustments. I believe myself that if the accounts were finally settled on a commercial basis, the net advantage would be very distinctly on the side of the railways.

The Honourable Sir George Schuster (Finance Member): Sir, I would like to associate myself with the speakers who have already expressed appreciation of the interest taken by the House in this debate. Perhaps it is not as keen as it may ultimately become, but we are certainly getting on; and I think the House may congratulate itself on having taken more interest this time than on the previous occasion. The motion has provided a discussion which has been not without interest and not without certain curious features. It is curious in this sense, that the subject-matter and the points which come up for discussion in the course of a motion of this kind do in a sense divide us on these Benches from each other. We have just heard an example of my Honourable friend the Financial Commissioner of Railways displaying to the House certain differences of opinion with his Honourable colleague who represents the Posts and Telegraphs Department. The curious nature of the feature goes even further, because

I find myself actually arrayed against myself on certain points
 I P.M. that come up. Indeed speaking as the Chairman of the Public Accounts Committee, I think, Sir, that properly I ought to cross the floor of the House and address you from the other side. That illustrates what is, undoubtedly, an anomaly in the present position, and I am grateful to those of my colleagues on the Public Accounts Committee who, in the course of this debate, have done me and my predecessors the honour of saying that when we preside over the Public Accounts Committee, we do our best to forget our official position and join our unofficial colleagues with great heartiness in the attack which they deliver on the representatives of the various departments of Government. I do trust that in the future, opportunities will be taken to make an useful occasion of this debate. I would put it to my Honourable friends opposite that in a debate on the Report of the Public Accounts Committee they have an admirable opportunity of raising points which are of great interest to the public, and that it is just as good an occasion as the general debate on the Budget for raising all sorts of issues for which there is no other occasion of getting a discussion in the House. I hope that as time goes on, some sort of procedure will develop for selecting one or two specially important items for discussion and for producing a really thorough discussion on those points. That

[Sir George Schuster.]

is a suggestion which I venture to put to my Honourable friends opposite for their consideration. If that were done, I think the discussion might be made more useful, while it would certainly make our task on this side a great deal easier in replying. The discussion has ranged over a number of subjects and, though I should like to deal with them all, I think the best and the most useful general reply that I can give is to say that the reports of this debate will receive most careful consideration and that we, in the Finance Department, will take the opportunity of points having been raised in the debate in this House for bringing them again to the notice of the various departments concerned.

Having made that observation, I do not think that it is necessary for me to go in detail into the whole list of points that were raised. But there are one or two points that have been mentioned this morning on which perhaps I might say something. My Honourable friend Mr. Abdul Matin Chaudhury referred to the Report of the Committee on the accounts of the Posts and Telegraphs Department, and expressed his appreciation of their having arrived at conclusions which were very much in agreement with the views which he himself had put forward in the past. He hoped that Government were going to accept those conclusions. I should like to inform him that on a number of points we have reached agreement and are prepared to accept the conclusions of that Committee. For example, a particular point which he raised referred to the percentage for pension contribution having been fixed too high and having been found on further actuarial calculation to be capable of reductions by one per cent. in order to give a proper figure. That is a recommendation which we have accepted, and we have gone so far as to re-credit the Posts and Telegraphs Department with the arrears which they have over-paid since the accounts were started on the present basis. There is, however, one important recommendation on which we are still in the stage of consideration and discussion. That being so, I do not want to say much about it. But as it is the recommendation which has most effect on the financial results, I should like to put to the House my own difficulty about it. My difficulty is this: that the proposal really amounts to creating a fictitious balance in the Depreciation Fund of 8½ crores, which is supposed to represent the arrears which should have accumulated in that Fund at the time when the present system of accounts was started; and the proposal of the Public Accounts Committee amounts to this, that the Government should treat the Department as having borrowed that money at a rate of about 3·3 per cent. in past years and should then credit them with the full 8½ crores and allow them the current rate of interest which is rather over six per cent. Now, looking at it from the financial point of view,—and, I admit that there is a good deal to be said about it on both sides,—but looking at it purely from a financial point of view, that struck me as an imaginary reconstruction of the past which would be, I believe my Honourable friend will admit, very favourable to the Posts and Telegraphs Department, indeed which, according to my present view, I must myself describe as almost incredibly favourable to them. I will not say anything more at present on that, but I wished to take the opportunity of informing my Honourable friend who is interested in this matter how it stands at present.

There is one thing more I would say on this subject and it is this, that we have undertaken with the Public Accounts Committee that if on any

point we differ from the recommendations of Sir Cowasji Jehangir's Committee, we will put before the Public Accounts Committee our views on the subject and give them an opportunity of discussing it and possibly of persuading us to alter those conclusions. Therefore, the Public Accounts Committee will be kept fully in touch with the matter until final conclusions are reached.

There is only one other point which I should like to refer to, and I do so because it is of such very great importance. It has been referred to by several speakers and it is the question of the loan policy of the Government and the control which is exercised over capital expenditure, or rather over the decisions to advance money for capital expenditure projects undertaken either by Provincial Governments or by Indian States in connection with which they have to come to the Central Government for funds. I should like to say this, that I regard it as one of the most important questions in the whole field of finance and one in which it is most important that the arrangements for the future should be properly regulated. Budgetary questions and budgetary control are matters which are well understood. There is a proper machinery for dealing with them and every popular Assembly is familiar with methods for checking ordinary recurring revenue and expenditure. But capital expenditure, which often covers much larger sums and the effects of which are felt for many years, capital expenditure is often undertaken without coming under the purview of the popular representatives and sometimes leads to results which are often discovered too late in order to remedy the evils which have been accomplished. Many a country has gone wrong not because it has failed to balance its ordinary budgetary revenue and expenditure, but because it has got committed to an unwise programme of capital expenditure. Therefore, this is in itself a very important question and it raises very difficult issues as between a Central Government, whether it be a Federal Government or a Unitary Government, and the Provinces which work under it, whether they be units in a federation or subordinate governments, it raises extremely difficult questions and those questions will be questions of great difficulty in India. Therefore in calling the attention of the House to this matter, those speakers who have dealt with it have I think done a public service. I do not think that I can add much to the recommendation that we ourselves have made in the Public Accounts Committee on this matter. It so happens that all the problems and difficulties which are likely to come up in connection with this matter refer to projects which were started many years ago, and therefore I am at least in the fortunate position of not being personally responsible for those particular difficulties. But I wish rather to look to the future and I do feel that we have not yet evolved an entirely adequate machinery for checking capital expenditure projects. It may be said that this is not necessarily the business of the Central Government which merely is concerned with advancing the money and will not be concerned with the actual effect of the projects which are undertaken. But projects may become of such a magnitude that if they fail to carry out expectations, if for example the capital that is required for completing them is very much larger than was originally anticipated or if the yield which is drawn from them is very much smaller than was anticipated, they may become of such magnitude as to affect the whole financial position of the borrowing authority, and in that case it will not have been enough for the Central Government to satisfy itself that the borrowing authority itself was solvent, but it

[Sir George Schuster.]

ought really to go deeper than that and satisfy itself that the project was not of such a nature as to be likely to interfere with the solvency of the borrowing Government. Question on this subject will arise possibly in the near future when, in connection with projects that have been already started, we come to consider what is the best method of dealing with them if they fail to fulfil expectations. It is sufficient for the present to say that, speaking on behalf of Government, I as Finance Member fully endorse and accept the recommendations which I as Chairman of the Public Accounts Committee have joined in making on this particular point.

My Honourable friend Mr. Das raised a question about the overdrafts of the Provincial Governments, and in this connection I must apologise to him for having dealt somewhat summarily with a supplementary question which he put the other day and which I now appreciate that I misunderstood. The question as regards overdrafts is a somewhat difficult one. I do not propose to go into it in detail today, but I would say this—that when the financial arrangements as between the Central Government as banker and the Provincial Governments as clients were fixed, I do not think it was ever contemplated that the Provincial Governments would be regularly in the position of having overdrawn their current accounts. Actually in the past years the Central Government has benefited on balance very considerably by the arrangements which had been made, because most of the Provincial Governments have been regularly in credit on their current accounts. Now unfortunately we are approaching a stage where provincial balances have been drawn off and most of the provinces I am afraid will have to come to us to help them to finance actual current budgetary deficits. As soon as a proposal is put up to us in a form which enables us to treat it as an advance to be made from the Provincial Loans Fund, the Provincial Government has of course to pay interest in the ordinary way, but situations may arise in the course of a year which would enable a province to overdraw its account without paying interest on it. I would merely say that that particular possibility has received recently our very careful attention and that in any recommendations which we have made as regards future arrangements, we have always made it very clear that whatever the relations between the Central Government and the provincial units may be, if the Central Government has got to continue its present function of acting as a banker for the Provincial Governments, then those relations must be fixed on a strictly commercial basis. I do not think it will be at all difficult to arrive at a fair arrangement, regulated exactly on the lines of those which would prevail in ordinary private commerce between a banker and the bank's clients.

That, Sir, I think is all that I need say on the points that have been raised. I would repeat that we shall take very careful note of this debate and shall see that the points that have been raised are again brought to the attention of the departments concerned.

Mr. President: The question is:

“That the Report of the Public Accounts Committee on the accounts for 1929-30 be taken into consideration.”

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock on Monday, the 29th February, 1932.

APPENDICES.

I

Translation of speech delivered in Hindi by Mr. N. R. Gunjal, M.L.A., on 10th February, 1932, on the Resolution regarding establishment of a Supreme Court in India.*

Mr. President, the Honourable Mr. B. R. Puri has moved to-day a Resolution recommending establishment of a Supreme Court in India at an early date, and several of my friends have already spoken thereon. Sir Hari Singh Gour and other Members have, before this, tried to bring forward the said Resolution several times; and this session it was first balloted in my name; but it could not come up for discussion on the previous day since all the time of the Assembly was spent that day on the discussion of other important matters. I support this Resolution since it is my duty to do so.

If we look to the history of the past and present suits, litigation in India and to the Privy Council stage in England, we find that the litigants carrying their disputes to that stage were reduced to poverty and lost their lands, houses, *jagirs* and zamindaris; what was left to them was only the judgment papers. Judicial suits of Indians must be decided only in India by a final court. It is surprising that this difficulty was not noticed by the British Government so long. There is no objection to the reservation of the powers of His Majesty in this respect as has been done in the constitutions of Canada, Australia and South Africa. My contention is that judicial decisions should be given in our own hand. The British administration of justice is of a peculiar type in that, by making unusual laws, disputes are created among the people; but the key to the final adjudication is kept in their own hands, and that too in a foreign country. Indian parties to a suit conducted in a foreign country experience a great difficulty in giving instructions to their lawyers and barristers. The British Government have looked to their own convenience by keeping under their control the power of final adjudication, but they have not secured the convenience of the litigants by way of providing them with passage to England at minimum cost for the purpose of giving instructions about their cases. This is a great impediment in our way. This is an important Resolution before the Assembly and Government also should support it. A Supreme Court is one of the problems of the Federal Constitution at present under consideration, and the passing of this Resolution will help in its solution. I, therefore, request that all elected Members should support and pass this Resolution.

It is quite necessary to establish a Supreme Court in India. Federal Courts have been established in countries like America, Canada and Australia which have got federal constitutions. The people have long since

*Vide p. 583 of Legislative Assembly Debates, dated the 10th February, 1932.

been clamouring for the establishment of the highest court, *i.e.*, the Supreme Court in India on the lines of the Privy Council in England, India will be much benefited thereby.

A Federal Court is an important feature of a Federal constitution; such a Court decides questions of constitution. The powers and the constitution of that Court can be determined later on. When the Supreme Court is established for India, the question of the Indian constitution should be referred to it. The decisions of the Supreme Court should be universally binding and available to all; but if those decisions are to have no effect outside the precincts of the Court, that Court will be the laughing stock of the whole world.

The Supreme Court should have full powers to hear civil and criminal appeals from the whole of India. The chief benefit from the establishment of the Supreme Court will be that perfect justice will be available to the poor Indian people. For want of such a court Indians have got to resort to the Privy Council in England. But poor people cannot afford the expenses involved therein. The Privy Council is an old institution, and as such it commands the respect of all. Similar respect will be felt for the Supreme Court when it is established.

When the Supreme Court is established in India, renowned Indian lawyers can be appointed on lesser salaries as Judges of the Court; then all can get the benefit of their learning. The Supreme Court will be the highest court having supreme authority over all people in India. At present High Courts are the highest courts in India, and there is necessity of a Supreme Court with appellate powers.

The Supreme Court should have powers to decide constitutional questions and to hear civil and criminal appeals. This will secure perfect justice to poor Indians and save their expense of journeys to England. The Court should have unrestricted power, and Government should abide by its decisions. It is thus very necessary to establish a Supreme Court for India, and there is a popular demand of a long standing for it. I hope a Supreme Court will soon be established.

*Translation of *speech delivered in Marathi by Mr. N. R. Gunjal, M.L.A., on the 22nd February, 1932, re the Bill further to amend the Workmen's Compensation Act, 1923.*

Sir, I rise to support the motion for circulation moved by the Honourable Sir Joseph Bhoré.

While supporting this Bill, I say that the object and the principles underlying this Bill are good. The Bill contains some recommendations of the Royal Commission on Labour, and during the present times there is a necessity of such a Bill. The Honourable Sir Joseph Bhoré has explained in detail the amendments proposed to be made and also has followed the recommendations very closely.

I find Mr. Joshi has made an important speech in this connection and pointed out the difficulties of labour in India. I hope, the Government will consider the suggestions made by Mr. Joshi in his speech.

The Bill may be sent to the various labour institutions in India for eliciting their opinions and the various such institutions should be given opportunities to ventilate opinions on such matters at this time in order to remove the difficulties and disabilities of the labour classes. Sir, I support the motion.

*Vide page 1055 of the Legislative Assembly debates, dated the 22nd February, 1932.