

18th March 1937

**THE
LEGISLATIVE ASSEMBLY DEBATES**

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(15th March to 3rd April, 1937)

FIFTH SESSION

OF THE

FIFTH LEGISLATIVE ASSEMBLY

1937



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1937

Legislative Assembly.

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LEGISLATIVE ASSEMBLY.

Thursday, 18th March, 1937.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

THE INDIAN FINANCE BILL—contd.

Mr. President (The Honourable Sir Abdur Rahim): Prof. Ranga will now resume his speech on the motion:

"That clause 3 of the Bill be omitted."

Prof. N. G. Ranga (Guntur *cum* Nellore: Non-Muhammadan Rural): Mr. President, the Honourable the Finance Member was saying when he was making his budget speech that this additional sugar excise duty would result also in a suitable, proper and healthy restriction in the area under sugar-cane. He said that the sugar-cane growers will receive the necessary check not to use too much land under sugar-cane and not to produce too much of sugar-cane and thus glut the market. I do not know how he has expected this result to come out of this additional excise duty, but, as far as I can see, it is impossible to achieve that result through this. The price may go down for sugar, the price may go down for sugar-cane, and, because of that, he may think that the sugar-cane growers will not like to keep so much land under sugar-cane. But that is a far fetched consequence the effects of which cannot be measured and on which it is improper for any Finance Member to base his proposals for additional taxation. In fact, as a result of the joy that went about over the whole of the country since the Sugar Protection Act was passed in 1921, everywhere in every province peasants began to take to sugar-cane production and each province began to compete with every other.

When the Crop Planning Conference was convened in Simla in 1934, various provinces began to dispute and compete with every other as to what extent they should be left free to extend the area under sugar-cane cultivation. Bihar and the United Provinces wanted to have the whole monopoly of this, but Madras and Bengal protested against that and Madras has gone ahead with very good results. The area there has grown more than double, and they are still going forward with planting sugar-cane in more areas. In fact, the Director of Agriculture in Madras has instituted a regular campaign for inducing peasants to grow sugar-cane in preference to several other crops, and what is to happen to this campaign now? Is there any attempt being made by the Government of India to summon another crop planning conference in order to see that definite steps are taken in various provinces to restrict the area under sugar-cane and thus to restrict the production of sugar-cane in different parts of the country and over the whole of India? We are not told that any steps are being taken, and I am afraid no steps are going

[Prof. N. G. Ranga.]

to be taken in the next one or two years. If we were to allow the sugar-cane cultivators to go about extending the area under sugar-cane only trusting to the ultimate effects of this increase in sugar excise duty to put the necessary check on them, then the peasants could never be helped. If really there is a need for restriction in the production of sugar-cane, then there must be another crop planning conference held here as soon as possible and definite steps should be taken to see that the total area under sugar-cane is properly allotted as between the different provinces and no more areas are allowed to be brought under cultivation.

Finally, I would appeal to the Honourable the Finance Member that even now it is not too late for him to try and free *khandsari* sugar from any excise duty whatsoever and also reduce the incidence of it to a considerable extent and thus maintain some sense of fairness of incidence as between these two kinds of sugar. But he proposes to raise this duty on *khandsari* sugar from ten annas to Rs. 1-5-0 at one jump and that is really monstrous, and I hope he will see the justness of my claim and try to meet it in the best way possible for him. Then, Sir, he was telling us that he was full of affection for peasants and agriculturists. He has told us several times, when criticising the Congress, that he and his Government were doing more for the common man in the country. What is it that he proposed to do this year? The only consolation he offered to us is that his new system of taxation did not seek to impose any additional burden of taxation upon the poor and upon the masses. There also I consider him to have gone wrong. Instead of not levying any more tax upon the poor, he has himself begun this definite step of imposing this additional tax upon the peasants in this country. One crore and 15 lakhs he expects to get as additional revenue from this addition to the sugar excise duty. I am sure, at least one crore of it will be coming from the peasants themselves. That I consider to be additional taxation. I may say that it is all imagination; I can only say that he does not know the rural economic conditions in this country, he does not know the economic conditions of our own peasants, he does not know the trouble of the peasants and their relations with the market and also with the sugar producers. Sir, they have been thinking of reorganising the markets in this country! They will go on thinking until some day when again the Congress will have the opportunity of displacing them and defeating them at some general election. If they go on like that, it is impossible for them to achieve anything whatsoever which they can look back upon as having been made in the interests of the masses. Is it fair that this additional taxation should be levied upon the peasants when nothing is being done to relieve their economic distress? We were asking that the general level of prices should be sought to be raised by the devaluation of the rupee and some such measures. The Honourable the Finance Member gave his negative reply and even said that under any circumstances he was not going to allow anybody, least of all himself, to monkey with the ratio. Well, Sir, I am prepared to make a present of this monkeying to himself for his own special benefit, but I can only refer him to some facts presented here in the "Review of the Trade of India in 1935-36". It is stated here, Sir, that the wholesale prices have risen in other countries—the United Kingdom, the United States of America, Canada, Australia, Japan and France, whereas

Mr. President (The Honourable Sir Abdur Rahim): That stage is finished. The Honourable Member can only now speak to the amendment before the House.

Prof. N. G. Ranga: The prices have not been raised at all in this country. Therefore, there is no compensation for the peasants for this additional tax that is sought to be raised from them. Nothing is sought to be done in order to compensate them. Has he at least proposed to give even in an indirect fashion some benefit to them in return for this additional taxation levied upon them, in the shape of a rural development grant? He gave a crore of rupees in the first year, and in the second year, in spite of himself, the money was found there and it came to Rs. one crore 80 lakhs. This is the third year when he really had to take a definite decision whether or not to give any money towards this, and he has not given a pie. What is more, he has not even given us an explanation as to why he does not propose to grant any more money for rural uplift

Mr. President (The Honourable Sir Abdur Rahim): Again the Honourable Member is not speaking to the amendment; he must confine himself to that.

Prof. N. G. Ranga: I am trying to do that, but my only plea for raising this point is that here he is going to levy one crore of rupees of additional taxation on the poor peasants

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member is again not speaking to the amendment before the House now.

Prof. N. G. Ranga: And, in order to relieve the peasants of that burden of taxation, he can do one of two things

Mr. President (The Honourable Sir Abdur Rahim): The Chair really cannot allow the Honourable Member to go into any other matter. He must confine himself to the amendment before the House.

Prof. N. G. Ranga: I sincerely hope that it is not yet too late for the Finance Member to give an assurance to this House that, even as an after-thought, even at least to satisfy his own conscience, he is going to make a sufficient provision in budgets to come for an adequate grant towards rural development and rural uplift and rural reconstruction in order to compensate our peasants who are being hit very badly even by the present sugar excise duty and who are going to be hit even much worse by the additional sugar excise duty that he proposes to impose. Sir, we know that, in spite of all that we say here, he is going to get this certified by His Excellency the Viceroy. If he does so, then he will be doing an irreparable harm to his own Government and to himself and an irreparable damage to the peasants at large. He may think that the peasants will be grateful to him for having given them that rural development grant in the past, but I may assure him that the peasants are not going to be grateful either to him or to his Government, especially as they know that this Government are dealing with them in this most extraordinary and unconscionable fashion. Therefore, Sir, I support this amendment.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, I would not like to follow the example of the author of the history of philosophy, who began his history by discussing whether Adam was or was not a philosopher; so I do not want to go so far back into pre-history days, but I will begin the history of sugar from the date of the Tariff Board Report on the sugar industry. Sir, like a geomatrician, I want first to enunciate my three propositions which I want to establish. My first proposition is that we—that is, the Legislature—have been carrying out our obligations, as recommended by the Tariff Board Report. My second proposition is that the sugar manufacturers or industrialists have not been carrying out the obligations laid on them by the Tariff Board Report. In fact, they are guilty of a large number of *zoolums* which I will describe later on. My third proposition is that in the present discussion of this Bill the question is only between consumers and the Government; the manufacturers do not come into the picture at all. We can have a general discussion on the consumers or the tax-payers, but the manufacturers of sugar as such do not come in.

These are the three propositions which I want to establish before I take up the general discussion. I shall first come to the Tariff Board report. At page 108, their recommendation No. 27 says:

“In order to enable the industry to face initial difficulties and to safeguard the position of the manufacturer of indigenous sugar by the *bel* method in Rohilkund, we propose that for the first seven years the duty should be fixed at Rs. 7-4-0 per hundredweight and for the remaining period Rs. 6-4-0 per hundredweight.”

Then, later on, they decided to recommend no further immediate increase in duty beyond the protective duty already recommended:

“We recommend that should the present international negotiations for stabilization of prices fail or should market prices in Calcutta, in the future fall below Rs. 4 without duty, a further duty of eight annas per hundredweight should immediately be imposed.”

Sir, these are the recommendations of the Tariff Board. According to these recommendations, we have undertaken to give this protection,—that is, a protection of Rs. 7-4-0 per cwt. There is some defect in the manner of working of the policy by the Government which was made evident in the case of sugar, as was evident in the case of hosiery and other industries, that the Tariff Board recommendations were before the Government, but they never published them, but they took action on them and imposed the duty immediately as if it was a revenue duty. As soon as the Tariff Board reported in January, 1931, immediately the Government put on a duty of Rs. 7-4-0 which was recommended by the Tariff Board. Of course, at that time it was assumed, incorrectly, that that was only a revenue duty. It was a duty recommended by the Tariff Board whose report was confidential. It was not really a revenue duty; it was the duty recommended by the Tariff Board. Then followed what I then called the folly of the Government of India, that is, the second Finance Bill of 1931. In the year 1931, without consideration of any kind, Sir George Schuster increased the duties all round by 25 per cent. I said at that time that this was really selling chocolate and charcoal at the same price and making no difference between them. As soon as these

duties were increased, automatically this duty was raised by 25 per cent., that is, by Rs. 1-13-0. It was raised to Rs. 9-1-0. The additional protection was given to them without recommendation of the Tariff Board. It was a folly of the Government of India and the Government of India at that time did not realise the effect of the raising of all taxes and duties all round by 25 per cent. Two years later, that is, in 1934, they realised that they had committed a mistake in the year 1931, and they wanted to get over it by putting an excise duty on sugar and thus bringing it back to the protection which the Tariff Board had promised. Still, there was one point which they left out. Instead of giving them a protection of Rs. 7-4-0, they gave them a protection of Rs. 7-4-0 plus eight annas, that is, Rs. 7-12-0. In other words, they put down an excise duty of Rs. 1-5-0 per head and not Rs. 1-13-0 which they ought to have put in order to equalise the two. Now, as soon as this special duty of 25 per cent. was imposed and we gave them a protection equivalent to Rs. 9-1-0 per cwt., a large number of factories were started immediately owing to this huge protection, and they began to make enormous profits on account of the high prices. Now, if you examine the figures of the income of the factories in the years 1932-33 and 1933-34, you will find that they have made enormous profits ranging from 50 per cent. to cent per cent. A large number of these factories practically realised the entire capital which they had invested in the construction of these factories. Most of these factories were really owned by individuals. If they belonged to companies, then those companies were owned by the friends and the relatives of these individuals. So, they were really private concerns and these private individuals have already got the entire money back, and they got huge profits in the first two years.

Now, this protection was given for a period of seven years. That is to say, Rs. 7-4-0 is intact, nobody is touching it, and there is no question of taking it away. So any issue that is now being raised that we are going back on the promises that we made to this industry is not correct. His Rs. 7-4-0 which I call his pound of flesh is there, and there is no question of taking it away. The only question before us is that as we want more money for running the administration of the country, can we realise it from this particular duty? Now, I know that all forms of taxes are bad. Whenever taxes are levied, they are always unpleasant to one individual or the other. But the unpleasantness must be borne, and somebody must pay for the administration of the country. Now, this particular duty was chosen by the Government in order to get the revenue, and they have put the equivalent duty on the excise and also on the import, so that if you take up the difference, the quantum of protection remains unchanged. That being the case, the only people who can complain are the consumers because the burden will fall on them. The people who come in the scene are the consumers and not the manufacturers.

Now, I would like to take the second point. The second point is that the capitalists have not carried out their obligation. Now, Sir, I do not really understand what is meant by the phrase "protection to industry". Whenever we say that the industry should be protected, the capitalist always takes it for granted that he would be protected, because the industry is always personified by the capitalist who puts in his money. In fact,

[Dr. Ziauddin Ahmad.]

the protection to an industry is equivalent to the protection of one individual, and this is not a correct view to take. Now, I come to the obligations which the Tariff Board imposed on these individual members. This is what they said :

"It is, of course, impossible to estimate on the available data the assurance required on this account but, allowing for the factors referred to above, a reasonable estimate of the price at factory required to cover the expenses of the cultivator including the labour of himself and his family is seven annas a maund."

This is the price which they fixed for the sugar-cane. Later on they said :

"Allowing for the fact that cane occupies a definite and important place in the agricultural system of the country and also that it is, on the whole, less liable to damage than other crops, it appears to us that in normal times to ensure that the cultivator retains a sufficient area under cane, a profit of at least 1 anna per maund is required. A fair price for cane would thus be about 8 annas per maund delivered at factory."

Later on, they said :

"It appears, therefore, that 8 annas a maund delivered at factory for cane would be a fair price to the cultivator and would ensure to a factory operating in an undeveloped area a satisfactory supply of cane.....We propose, therefore, to take this figure for the purpose of estimating the fair selling price for white sugar."

When the Tariff Board recommended that we should give protection of Rs. 7-4-0 per cwt. to the manufacturers, they also placed an obligation on these manufacturers to pay seven annas and eight annas to the sugar-cane growers and on this basis and this basis alone the quantum of protection was determined. Now, I ask any manufacturer friends whether they have been actually paying this amount or have they ever paid this amount to the cultivators for whose benefit this protection was given? We never gave this protection for the benefit of the capitalist. We gave it in order to encourage our agriculturist, and the condition we imposed was that the manufacturers will pay seven annas and eight annas per maund to the cultivators. But the facts are just the opposite. A formula was invented to find out the fair selling price of the sugar-cane which is really of a very doubtful value. The formula is $\frac{8 \times P}{200}$. I doubt the correctness of this particular formula, but this formula was applied, and the extra one anna which the Tariff Board recommended was entirely omitted.

Now, a meeting was convened in Lucknow in order to determine the fair selling price of sugar-cane. They came to the conclusion that it should be five annas a maund. They neglected the recommendations of the Tariff Board. The moment they came to that conclusion, I think it was the duty of the Legislature here to have reduced the quantum of protection from Rs. 7-4-0 to a lower figure. Because, after all, the figure of Rs. 7-4-0 was obtained on the strict understanding that seven to eight annas per maund will be paid to the cultivator. I look at the price of sugar-cane from another point of view. Whenever juice is taken out of sugar-cane, something is left which we call *bagass*, which is used for fuel. We know that $1\frac{1}{2}$ maunds of these *bagasses* give the same heat as one maund of coal. If you work out the price of *bagass* on the basis of its heating capacity, then it comes to five annas per maund, that is the price of the fuel

which *bagass* particularly gives. Then, if this *bagass* alone is worth five annas per maund, is the sugar-cane with juice less expensive than what is left after the juice is taken away? Certainly juice is more expensive than *bagasses*. If the remnant alone gives five annas a maund, then the remnant and the juice must cost something more than five annas. This calculation of seven annas, arrived at by the Tariff Board, was based on some other consideration and that was perfectly correct. I ask whether any sugar-cane factory carries on its obligations. The U. P. Government—of course, I do not hold any brief for them—consulted only one sided opinion, that is the opinion of the capitalists, they never considered the interest of the agriculturists or the interest of the consumers, the U. P. Government fixed five annas as a fair selling price for sugar-cane, but in practice even this five annas was never paid. I charge the factory owners on three definite counts, firstly that they never pay five annas to sugar-cane grower. I come from a constituency, Gorakhpur and Basti, where a large number of factories exist, and when I heard that they were not giving a fair price to sugar-cane, I went there and made enquiries and I found that they paid sometimes $2\frac{1}{2}$ annas, or three annas or at most four annas, it is very often between three annas and three and a half annas. What happens is this. The manufacturer has got some brother or some relation who really supplies these canes after purchasing them from the sugar-cane growers. He purchases them from the growers at two to three annas per maund and then sells it to his brother who is the factory owner at five annas which is entered in the registers of the factory. I say this is a kind of invisible profit which is not taken into account. I was told that in a neighbouring district—and I think my Honourable friend, Sir Muhammad Yamin Khan, will bear me out—that one manufacturer used to earn Rs. 2,000 per day as the invisible profit by way of under-paying the sugar-cane growers. My charge against the manufacturers is that they are not carrying out the obligations imposed upon them by the Tariff Board when protection was recommended to this industry.

The second charge that I level against the factory owners is this, that a maund contains, according to their calculations, much more than 40 seers. The House might be aware that the villager cannot often count serially up to 100. His calculation is always in units of five. So when you ask a villager how much is 100, he cannot say. If we purchase mangoes, say, by number, we have first to settle, how many times five will be hundred. I have seen the arrangement that 100 will be thirty-two times five. If a commodity is purchased by weight, it is also settled by the number of five seers which a maund should have. So when the factory owners get sugar-cane from the villager, a maund is not always 40 seers or eight times five seers. Very often a maund is ten times five seers or even 12 times five seers, and so on. Thus it will be seen that a maund in those transactions is not always eight times five seers. It is 10 times or 12 times or 13 times according to the custom of the villagers and according to the custom of the locality. So the manufacturer gets double advantage, he pays the sugar-cane grower at the lower level, and at the same time he gets an advantage in weight which works out to more than 40 seers a maund. This is the second charge that I make against the manufacturers.

An Honourable Member: There are Government Inspectors to watch the weightment.

Dr. Ziauddin Ahmad: The Inspector is not present.

The third charge that I level against the manufacturer is this, that these manufacturers keep the cultivators with their load of sugar-cane waiting for a week sometimes and very often three or four days before they purchase their sugar-cane. The manufacturer says: "These people have come with their sugar-cane when I do not need them. So let them wait". Thus the poor villager will wait for a few days. In the mean while the sugar-cane gets a little dried up with the result that it would weigh less. Besides the villager has to spend some money on his food as well as on the fodder for his bullocks. So that the cultivator suffers in two ways. He defrays the expenses for his food and for that of the bullock and he suffers on account of the deterioration in the weight of sugar-cane by being asked to wait for a few days. The sugar-cane is allowed to lie in open sunshine, and thus the juice content in sugar becomes diminished. Well, Sir, these are the three charges that I level against the manufacturers that they are not carrying out their obligations imposed upon them by the Tariff Board. I, therefore, submit that the manufacturers are not justified in demanding the Legislature to give them protection. Did they take any steps to protect the interests of the cultivators for whose benefit alone the Sugar-cane Protection Bill was passed. There should be some method by means of which the interests of the sugar-cane cultivators could be safeguarded, if we want to keep up our promise of keeping the protection of Rs. 7-4-0 for a period of seven years and give further protection for another period of seven years.

Mr. N. M. Joshi (Nominated: Non-official): Then fix the price of sugar-cane.

Dr. Ziauddin Ahmad: My Honourable friend says: "Fix the price of sugar-cane". I would like to fix it in the Act and not leave to the formula $\frac{8 \times P}{100}$. The Tariff Board allowed a margin of ten per cent. profit to the manufacturer. I am quite prepared to concede this amount of profit. Any profit over and above ten per cent. is really excessive. If they derive more profit, the balance should go to the treasury or used for the benefit of the consumer or the cultivator. We ought not to allow more than 10 per cent. profit to the manufacturer especially in view of the fact that the bank rate of interest now-a-days is only 2½ per cent. On the basis of this low bank rate, a profit of 10 per cent. is exceedingly reasonable and ample.

An Honourable Member: Why not nationalise this industry?

Dr. Ziauddin Ahmad: Whenever these industrial magnates speak of an industry, they speak in terms of themselves, they never speak in terms of the country. The manufacturer has got his pound of flesh, that is, Rs. 7-4-0. It is not touched. What we are doing here is that we are rectifying the mistake of the second Finance Bill of 1931. Sir, this protection duty is really a burden upon the tax-payer. In the year 1930-31, Government collected 10.78 crores from the sugar import duty. As soon as this protection duty was imposed, the amount fell to 8 crores in 1931-32, then 6.64 crores in 1932-33, 4.72 crores in 1933-34 and 3.81 crores in 1934-35, and in

the present year it has fallen to only 54 lakhs. Now we have got some more money in the shape of excise. Therefore, including the excise and the import, we got 4.70 in the year 1934-35, 4.82 in the year 1935-36, and in the present year, taking the figure for the last 11 months and adding one-eleventh to it, we get 3 crores. So really speaking the income which we had used to be 10.78 in the year 1930-31 and now including the import duty and excise duty, it comes to 3. So there is a definite loss of about $7\frac{1}{2}$ crores per annum in the income from sugar alone. Therefore, if there is a loss of $7\frac{1}{2}$ crores to the general revenues on account of this protection, the amount will have to be made up by the tax-payers in some other commodity. This sum of $7\frac{1}{2}$ crores is really annual contribution by the tax-payers to this sugar industry. Or rather, instead of saying "sugar industry", I should perhaps say "sugar industrialist", because the industry itself does not get the benefit, and it is only the industrialists who pocket the benefits and then will wash their hands off and go home. This industry will never be able to stand on its own legs. So really $7\frac{1}{2}$ crores are contributed by the tax-payers to the sugar capitalists. We have contributed to the capitalist, since 1931, a sum of 42 crores.

An Honourable Member: Are you for or against the motion?

Dr. Ziauddin Ahmad: Sir, it has been pointed out on the floor of this House that if we put this excise duty, the factories will come to a standstill, and the industry will suffer, and what we have built up in the last five years at cost of 42 crores to tax-payers will suffer a set-back. We heard the same story in the year 1934, when for the first time this excise duty was levied. The same argument was brought forward by my Honourable friend, Bhai Parma Nand, and I gave the same reply three years ago as I am going to give now.

Mr. Mohan Lal Saksena (Lucknow Division: Non-Muhammadan Rural): So none of you has grown wiser.

Dr. Ziauddin Ahmad: Because the facts remain the same. In the year 1931-32, there were 31 factories. As soon as we put this special duty, they at once rose to 56, and afterwards they rose to 112. So these extraordinarily high duties really gave a momentum to these factories. Then as soon as we put this excise duty, the rate of increase suddenly diminished but they increased all the same. Next year in 1934-35, the factories rose to 130, in 1935-36 to 140, and to 149 today. Therefore, the imposition of the excise duty has not checked the progress of these factories. Therefore, I believe this additional excise duty corresponding to the additional income of the duty will not substantially affect the factories. The Honourable the Finance Member said that some of the weaker factories will be closed. He can take it for granted that none of these factories will be closed, because the profits which they are earning is much more than what is shown in the papers. In addition to the visible profit there is also a latent profit, and that will keep them going for a considerable length of time.

Another thing is that the effect of this import duty has been a diminution in the quantum of our import. In 1930-31, the sugar imported was 901,000 tons and it has now diminished to only 23,000 tons. This means:

[Dr. Ziauddin Ahmad.]

that the import has now been effectively stopped under this quantum of protection and the prices will now be determined entirely by internal competition; and the determination of prices by internal competition is really the look-out of the factories. We cannot regulate that here. Of course if there be a monopoly of one particular factory, Government should stop it. But when there are as many as 149 factories, they can determine the internal prices by means of competition.

Coming to my friend, Bhai Parma Nand, I said that on account of the stability of facts, our own views remain unchanged. On the 2nd April, 1934, in this very House, I pointed out to him this:

"I should like to deal with one or two points mentioned by my friend, Bhai Parma Nand. He said that had there been a national Government and not a foreign Government, they could not have brought forward this proposal. I am sure that had there been a national Government, then this special surcharge of 25 per cent. would not have existed in sugar. My friend would be right if he substituted the capitalist Government in place of the national Government and the Government of the people in place of the foreign Government."

This I said three years ago, and it applies today with regard to the argument advanced by my friend, Bhai Parma Nand, yesterday.

There are one or two points to which I should like to draw the attention of Government. One is the case of *khandsari* sugar. The figures will show that the tax which we imposed on *khandsari* sugar is at a diminishing return, and they may not be able to pay the increased duty which we are contemplating in this particular Bill. *Khandsari* sugar is very much in the nature of a cottage industry, and I think it is an established policy of Government to encourage cottage industries as far as possible. Therefore, it is very desirable that in the case of *khandsari* sugar the enhancement of the duty may be reconsidered, and it should not remain because this particular commodity will not be able to pay this amount. There is one more important argument. It is all very well to argue that a large number of people in this country have not got the capital to establish factories. But in small towns and villages, this *khandsari* process does exist, and it is not desirable to wipe it off altogether from existence. The sugar which the *khandsaris* produce is really used by poorer people. I do not think any Member of the Assembly would like to put *khandsari* sugar on his tea table: he would like to have refined sugar

Mr. N. M. Joshi: That is wrong: now-a-days the fashion is different.

Dr. Ziauddin Ahmad: He gives his experience, and I give my own. As I say, this *khandsari* sugar is used by the poorer people, and it is not desirable to tax it

Dr. P. N. Banerjee (Calcutta Suburbs: Non-Muhammadan Urban): How then will you encourage *khandsari* sugar?

Dr. Ziauddin Ahmad: By removing this excise duty from it.

The next thing is this: the railways should co-operate in this matter, by having special rates for sugar from the factories to the market, as has been done in the case of Lyallpur wheat to Karachi. This industry will then progress: railways ought to co-operate and give facilities of transit from the factories to the market.

Again, Sir, the price of *gur* has gone down ~~exorbitantly~~. We all know that 20 per cent. of the sugar-cane is consumed by the factories, while 80 per cent. is consumed by the *gur* manufacturer; and it is very desirable that we should raise the price level of *gur* also in order to give some satisfaction to the sugar-cane growers: the only way to do that is to raise the price of this manufactured sugar. If that is raised, then in sympathy the price of *gur* will also rise; and the raising of the price of sugar depends upon the amount of excise duty we put.

Dr. P. N. Banerjee: The Finance Member said the consumer would not be affected: but you want to raise the price of sugar: and how will *gur* be benefited?

Dr. Ziauddin Ahmad: I am not speaking for the Finance Member. I think if you put a duty on any commodity, the price of it goes up on account of the imposition of that duty. Therefore, if the price of sugar rises, the price of *gur* also will rise proportionately. I, therefore, say that to raise the price level of *gur* which is responsible for 80 per cent. of the sugar-cane, it is desirable that we should have this additional duty: it really does not affect our commitments and the undertaking which we gave to the sugar industry in 1931.

One more reason I would like to give for not putting any duty on *khandsari* sugar. We know that by the machinery process we can extract about 90 per cent. of juice from the sugar-cane, and some factories extract as much as 95 per cent. But by means of the old process used in the *khandsari* industry, we cannot extract more than 50 or 60 per cent. of the sugar. Therefore, their output is very small compared with the output in the factory, and it is desirable that it should not be treated in the same way as manufactured and refined sugar, but differently.

Sir Girja Shankar Bajpal (Secretary, Department of Education, Health and Lands): Mr. President, we have been discussing the subject of sugar since yesterday, but I think I shall not be misrepresenting the facts if I say that very few sugared epithets have come our way from any side of the House. That, perhaps, is not to be wondered at, all taxation proposals are unpleasant and I have no delusions about the effect of my own intervention in this debate, because I know perfectly well that, even if my tongue dropped not mere words but manna, even so, it will not make the proposals agreeable to any section of the House. All the same, I think it is only fair to the House that the considerations which enter into this problem should be presented clearly and, as far as possible, free from any spirit of acrimony.

Two main lines of arguments have emerged from the discussion as it has proceeded so far. The first is protection *versus* revenue. That, I venture to submit, is a question of high policy, on which it would be best for me not to express an opinion. In any case, it has been sufficiently discussed during the budget debates already between the Honourable the Finance Member and a number of distinguished Honourable Members opposite

An Honourable Member: We should like to have your views also.

Sir Girja Shankar Bajpai: If time permitted, perhaps; but after all, Honourable gentlemen are anxious to proceed to division before lunch time, and I know there are a number of other speakers; I do not really wish to deprive those who will follow me of a fair opportunity to present their case. Then, the second line of argument relates to the sugar industry as such; and the contention, there, is that the Government have brought forward these proposals, because they are determined to destroy an industry which in its development represents a romance in the history of modern India. That is the argument to which I shall mainly apply myself for purposes of rebuttal. But, before I get on to that, I think there are one or two comparatively minor points which ought to be cleared out of the way.

The first point is one which was raised by my friend from the United Provinces, Sir Muhammad Yamin Khan. When he tried to explain his position yesterday, I listened to him very carefully, hoping that I would be able to understand what exactly his point was as regards the reduction of the quantum of protection by eight annas. I confess that, at the end, I remained beaten; I was unable to understand what exactly the point he was trying to make was. However, I think the House would like to know one thing: that imported sugar will have to pay Rs. 2 per cwt. excise duty in exactly the same way as the indigenous manufactured sugar, so that the effect will be that imported sugar will hereafter pay to the exchequer Rs. 9-4 a cwt. as against Rs. 9-1 a cwt. which is the duty that it pays at present. And, inasmuch as, the result of internal competition between the producers in this country has been to reduce the level of internal prices below the Java parity by a larger amount than eight annas, I do not think that this particular manipulation of our fiscal system makes any difference in so far as the internal market for the sugar producer in this country is concerned

Sir Muhammad Yamin Khan (Agra Division: Muhammadan Rural): On a point of explanation, Sir: as regards what he said, I say the Honourable the Finance Member himself has said in his speech that the new imposition of excise duty will tend to raise the prices of the manufactured sugar in this country and the Honourable Member is really arguing against what the Honourable the Finance Member said

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member himself cannot argue it a second time!

Sir Girja Shankar Bajpai: So that, in so far as any danger of an increase of imports is concerned, I think I have shown that taking into account the quantum of the reduction that has been made, that particular danger is an illusory danger.

Another point, that was made very feelingly by my Honourable friend, Professor Ranga, and by Mr. Chaliha and again by Dr. Ziauddin Ahmad was that the *khandsari* industry, inasmuch as it is a cottage industry, ought not to be made to bear this additional burden of taxation. Well, Sir, what I would like the House to realise as regards that is this, that only *khandsari* sugar which is produced in a unit employing 20 people or more is liable to pay this additional excise duty. In other words, 95 per cent. of the *khandsari* sugar produced in the country will not be liable to this additional excise duty any more than it is liable to the existing excise duty; as such, Sir, I hope it will be

some consolation to my friends opposite that the cottage industry for which they have such deep and genuine sympathy is not going to suffer by the step which we contemplate taking.

Another point my friend, Mr. Mathuradas Vissanji, whom I do not see in his place today, made yesterday; he gave the House the impression that a great majority of the factories, in this country, are factories which have been in existence for a period of two years or less, and as such they have not had an opportunity of consolidating their position, and consequently they are going to be very hard hit by the taxation proposal which is now under consideration. I think the House would like to know that in 1934-35, that is to say, before the existing excise duty was introduced, there were as many as 130 factories in existence, as against a total of 140 which are in existence today. Therefore, Sir, the suggestion that they are weak factories, weak in the sense that they have been brought into being only very recently and have not able to consolidate their position, is not justified by the facts I have placed before the House.

Mr. M. S. Aney (Berar Representative): May I know from the Honourable Member how many of these 135 factories came into existence for the first time in 1934-35?

Sir Girja Shankar Bajpai: Well, I can, if my Honourable friend so wishes, give him figures of the progressive increase in the number of factories since the imposition of the higher protective duty:

1931-32	.	.	.	.	.	.	32 factories.
1932-33	.	.	.	.	.	.	57 "
1933-34	.	.	.	.	.	.	112 "

In other words, a great proportion of the factories has been in existence for more than two years

Mr. M. S. Aney: It might be two and a half years.

Sir Girja Shankar Bajpai: I think my friend's point is that these factories have been in existence only for a short period, and that as such we must assume that they are not making good profits

Mr. Mohan Lal Saksena: How many of them were under construction then?

Sir Girja Shankar Bajpai: In what year?

Mr. Mohan Lal Saksena: Before the excise duty was imposed?

Sir Girja Shankar Bajpai: I have told my friend that in 1933-34, 112 factories were in existence

Mr. Mohan Lal Saksena: How many were under construction?

Sir Girja Shankar Bajpai: They were completed factories,—I am not talking of the factories which were under construction. The increase in the number of factories since 1934-35 is only 16,—those are the only factories which could have been under construction then or started since then

Mr. Suryya Kumar Som (Dacca Division: Non-Muhammadan Bural): Three or four years is a long time?

Sir Girja Shankar Bajpai: It may not be a long time; the question is whether they have been in existence for a sufficiently long time to consolidate their position.

Now, Sir, these are the preliminary points I wish to make, and I now go on to the main argument. My friend—Prof. Ranga, I think, it was—said that it is very difficult to estimate the distribution of the incidence of this additional taxation, the additional taxation being eight annas per maund or one pice per seer of manufactured sugar. There are three interests involved,—there is the manufacturer, there is the consumer, and there is the cultivator. In so far as the manufacturer is concerned, the contention of the Honourable Members opposite is that the margin of profit which is being made by the factories is so very narrow, indeed if it is not non-existent, that this is going to deal a death blow to the industry. My friend, Mr. Chanda, gave some figures to the contrary the other day. His argument was assailed on this ground,—Oh, you are simply mentioning the names and dividends of factories which have been in existence for very, very long periods,—are the younger factories, the perpetual infants which are always crying for milk and which are likely to lose their milk if this additional eight annas is put on,—are these younger factories to disappear? May I inform the House that, from the figures which are available to us, and we have had a close examination made of them, out of 36 factories whose accounts have been examined, as many as 31 made profits varying from 6 per cent. to 66 per cent. in the account year ending September, 1935

Mr. Mohan Lal Saksena: How many of them made 66 per cent. profit?

Sir Girja Shankar Bajpai: One, but I hope my friend who stands for a more equitable distribution of national wealth will not argue that unless a factory makes 66 per cent. on its capital, it is not making a fair profit . . .

Mr. B. Das (Orissa Division: Non-Muhammadan): Take it off the 66 per cent. then.

Sir Girja Shankar Bajpai: I was simply indicating the fact that a great majority were making profits, which, considering the present rates of interest, are substantial.

Dr. P. N. Banerjee: Levy an excess profits duty.

Sir Girja Shankar Bajpai: That is merely a problem of taxation to which I am not addressing myself at the moment, I am concerned to assure the House that the contention that the manufacturer is going to be ruined by this additional taxation is not justified. That is the point I am on at the present moment.

Now, Sir, taking the quantitative figures, I hope I have shown that the margin of danger to the manufacturer is not as large as it is supposed to be. Now, let me give some figures of the newly established factories and their rates of dividends.

	Percentage of profit on capital.
The Hindustan Sugar Mills, Ltd.	32·31 per cent.
The Balrampur Sugar Company Ltd.	13·55 „
The Rohtas Sugar Mills, Ltd.	25·46 „
The South Bihar Sugar Mills, Ltd.	25·91 „

I ask the House whether in the light of the quantitative

Seth Haji Abdoola Haroon (Sind: Muhammadan Rural): May I know from the Honourable Member

Mr. President (The Honourable Sir Abdur Rahim). The Honourable Member must not go on interrupting.

Sir Girja Shankar Bajpai: I ask the House whether in the light of the quantitative figures I have given, it can honestly be contended that the additional burden proposed is a really ruinous burden. Again, let me remind the House it is only a case of eight annas a maund.

Then, Sir, with regard to shifting the burden on to the consumer, I think it was my friend, Bhai Parma Nand, who told us yesterday that, before the development of the industry in India, and immediately after the imposition of the high protection duty, the consumer used to pay as much as ten crores a year, which used to go into the pockets of the exchequer, and that, as such, if the consumer today has to bear a slightly heavier burden, there is no reason why he should complain. I think that is a very valid point, and I hope it will be borne in mind by those who are considering the interests of the consumer. But it might be of some interest to the House to know how prices for the consumer have varied during the last three or four years, because then they would appreciate that, even if the whole of this additional eight annas were passed on to the consumer, he would be better off than he used to be until very recently. Now, Sir, in 1930, in the first ten months, sugar prices were in the neighbourhood of Rs. 10 a maund. In 1931, they varied between Rs. 8-7-0 to Rs. 9-15-0, in 1933, between Rs. 8-3-0 to Rs. 9-2-0, and in 1935, between Rs. 8-7-0 to Rs. 9-0-0. And it was quoted by one of the Honourable Members opposite, pleading on behalf of the manufacturers, that at present the prices are in the neighbourhood of Rs. 6 a maund. If it be so, even if the whole of the eight annas is passed on to the consumer, it will be only Rs. 6-8-0 as against the Rs. 9 odd which he was paying till 1935.

Now, I will come to the cultivator for whom my Honourable friend, Seth Haji Abdoola Haroon's heart, which bled so touchingly and profusely yesterday. I think it was my Honourable friend, Dr. Ziauddin Ahmad, who, in the course of his remark, drew the attention of the House to the fact that the Tariff Board calculated their quantum of protection on an allowance of eight annas a maund for the grower of sugar-cane. If my

[Sir Girja Shankar Bajpai.]

Honourable friends were able to prove that, when the companies were making admittedly much larger profits than they were making in 1985, they were giving him eight annas a maund, there would be, I feel, some feeling of conviction as regards the sincerity of the claim that is made by the manufacturers on behalf of the cultivator. But, Sir, what is the position? It was only in 1934-35, with the introduction of the existing excise duty, that Government intervened to bring in a Bill for the purpose of empowering Local Governments to fix the price of sugar-cane. This was in April, 1934, when profits were very much higher than they were in 1935. And what was the experience of the two Local Governments which attempted to fix the price of cane? That it was impossible to secure to the cultivator more than five annas a maund. That gives you an idea, really, of how, left to himself, the manufacturer has sought to pass on to the cultivator his fair share of the advantage which is due to him as a result of the protection of the sugar industry. I hope in the face of these facts which I have given, Honourable Members will not lend too ready or credulous an ear to the claim put forward by the manufacturer speaking on behalf of the cultivator. No, Sir. I feel myself that considering everything, considering the profits that are being made still, considering also the benefit that will remain to the consumer even if the whole burden were passed on to the shoulders of the consumer—considering both things, I say it is the duty of the Local Governments under the provisions and powers which they have at their disposal—it is their duty to protect the cultivator from any transference of this additional burden on to the shoulders of the cultivator, and here I would venture

Prof. N. G. Ranga: Why don't the Centre keep that duty to itself, instead of passing it on to the Provincial Governments?

Sir Girja Shankar Bajpai: For the very simple reason that those in authority somewhere else decided in their wisdom that there shall be complete provincial autonomy in the near future (Laughter). I hope that now that my Honourable friends opposite are in a position to form Governments in the provinces where the sugar industry is primarily located, he would advise those friends of his to exercise their newly found power—I congratulate them on the acquisition of that power—to exercise that newly found power for the protection of the cultivator for whom I am quite confident that my Honourable friend, Mr. Ranga, feels most honestly and most sincerely. That being the position in so far as it is possible to evaluate the distribution of the incidence of this additional taxation, the question that I wish to address myself to is, is there any honest or real justification for the contention that the Government of India are moved by a machiavellian, or indeed, an inhuman desire to commit infanticide. I ask, how much is it that Government have given away by way of revenue during the last four or five years? I think it was my Honourable friend, Dr. Ziauddin, who made the calculation, and it was something in the neighbourhood of 32 or 34 crores. That is not alone. It is not as if Government have merely given away revenue. Government have during the last six or seven years contributed something in the neighbourhood of Rs. 90 lakhs to help the industry as also the cane grower in various ways in order to consolidate the position of the industry. Something has been said about the romance of the entrepreneur in this

country for having brought the industry to this stage. I think something ought also to have been said regarding the romance of the agricultural scientist—I am proud to say it is an Indian who has done this work, Mr. Venkataraman of Coimbatore—I think something ought also to be said about the romance of the agricultural scientist who in a sub-tropical country, such as India, has enabled cane to be grown under divergent climatic conditions in provinces, such as, the U. P. and Bihar. Everybody recognises, the Sugar Committee of the Imperial Council of Agricultural Research recognised it, that the future of the industry, apart from other points which I shall mention hereafter—that the future of the industry depends upon improving the production of cane. The genetical work which was done at Coimbatore for the last few years—that genetical work is being continued. We expect a great deal of new and improved results from the work which is being done. It is not sufficient that you should merely have a new variety of cane, but it is also important that you should try it under different climatic conditions, and Government have already created a chain of testing stations literally from the Indus to the Brahmaputra in the north and south of the Vindhya in every presidency which is likely to lend itself to sugar-cane cultivation. There is one station in the North-West Frontier Province, two in the Punjab, two in the U. P., one in Bihar, one in Bengal, one in Assam; there is one in Madras, one in Bombay, and one in the Mysore States. That is so far as the genetical and experimental work is concerned. Special grants have been made to the Imperial Institute of Agricultural Research for the study of the diseases of the cane. The other day, the Honourable Member in charge of the Department of Industries and Labour went to Cawnpore and opened the Technological Institute which will devote itself to a study of the technological problems of the industry, the training of people to take charge of factories and, on the mechanical side, to the study of such problems as the utilisation of by-products, etc. I ask, is it fair to contend in the face of all this evidence that Government's main or hidden objective is to undo the work which at such sacrifice they have done, mainly to bring this industry into being and to consolidate its position? I should like to assure the House that nothing is further from the mind of the Government than that this industry should suffer an eclipse. But what the industry ought to realise is what Cassius said to Brutus, namely, "The fault, dear Brutus, is not in our stars",—I will substitute for "stars" "Government",—"but in ourselves". The industry has got to put its own house in order.

Babu Baijnath Bajoria (Marwari Association: Indian Commerce): What are the charges against it?

Sir Girja Shankar Bajpai: I am afraid it is never pleasant to frame an indictment against anybody, even against the sugar industry, but the point I would convey is this. Take, for instance, marketing. Everybody says there has been this extraordinary drop in prices. Have Honourable Members ever paused to consider—and I am now addressing my remarks in particular to the manufacturers—have they ever paused to consider the extent to which this drop in prices is the result of unregulated and uneconomic competition. As a householder, I know the price I have to pay for sugar. I do not get more than five seers a rupee, which works out to Rs. 8 a maund, as against Rs. 6 which the Honourable Member said that the factory owner gets.

Babu Baijnath Bajoria: What about freight charges and the middle men?

Sir Girja Shankar Bajpai: In so far as the middleman is concerned, what my Honourable friend says goes merely to support my point that an industry which is so highly organised or ought to be so highly organised as the sugar industry in this country

Babu Baijnath Bajoria: What about freight charges?

Sir Girja Shankar Bajpai: Freight charges—I have no doubt whatever that that element was taken into account by those who made proposals for the quantum of protection, and my Honourable friend cannot have it both ways—that you should take account of that in evaluating the quantum of protection, and then take it away when you are considering the internal prices. You cannot have it both ways. (Interruptions.) What it comes to is this that there should be no octroi, no terminal charges, no freight charges and the sugar manufacturer should be left to make what profit he likes. Surely, even in the very best world that kind of anarchical freedom is not likely to be attained.

Mr. M. S. Aney: I am afraid the Honourable Member has become rather desperate.

Sir Girja Shankar Bajpai: In what way?

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member need not take any notice of these interruptions.

Sir Girja Shankar Bajpai: I am surprised at the suggestion that I have argued in a desperate or despairing fashion. There is never any tendency on my part not to take notice of interruptions from the other side, but if I may say so, it tries even the coolest of individuals if some irrational propositions are put forward amounting to this—that there is to be absolutely no form of taxation at all in order to ensure that the sugar industry should thrive. That, Sir, was the point I had to meet by way of answer to my Honourable friend, Mr. Aney.

Now, Sir, the point is this. The industry has got to put its own house in order. For that purpose, industrialists have to come together and get away from the era of unregulated competition. It is equally necessary that the stimulus which has already been given to the production of cane and which has resulted in its expansion—that this particular activity connected with the production of cane should be regulated. What is indicated by that is that tea, coffee and other industries which, as stated by my friend, Prof. Ranga, yesterday, have organised themselves in order to adjust themselves to modern economic conditions, the sugar industry should also be assisted by Government to organise itself by a coordination both of the industrial and agricultural activities. Government have given thought to it, and they have come to the conclusion that on the model of the Indian Central Cotton Committee, or the recently created Jute Committee, there should be a sugar committee which will hold the balance even between the various interests concerned, namely, the manufacturer and the agriculturist. And, inasmuch as these organisations function to

little purpose unless they have funds at their own disposal, Government have also come to the conclusion that a committee of this kind should be placed in funds to an amount, to begin with at any rate, not exceeding Rs. 5 lakhs per annum in order to devote itself to the study of both the agricultural and technological problems of the sugar industry. In the face of that, I think it would not be fair that any Honourable Member should argue that Government are either callous or neglectful, let alone hostile. Equally, I contend that in the light of the explanation I have given before, the charge that Government has been guilty of any such attitude towards the industry falls to the ground. Every section of the House must realise that when a new form of taxation is introduced, it involves a burden on somebody, and that when the burden is imposed, some shoulders must bear it. Considering that the sugar industry yielded to Government as much as ten crores only the other day, it seems to me that the imposition of an excise duty which, at the most, may bring in something like two or three crores a year is not asking the industry to make a contribution disproportionate to the assistance which it has received from Government and the prosperity which, on the basis of the figures I have placed before the House, I can claim that it enjoys. In the circumstances Government have no option but to oppose the amendment which has been moved by my Honourable friend.

Babu Baijnath Bajoria: Sir, in his budget speech, the Honourable the Finance Member gave us two reasons which weighed with him in selecting the sugar industry for this additional taxation. The first was that there has been a great loss in revenue from the import duty on sugar during the last few years amounting to as much as ten crores of rupees, and so the indigenous sugar industry must make good this loss. This is a new doctrine of protection. I would say that it is a negation of protection. When Government grant protection to an industry, it is only to be expected that the imports of that particular commodity will gradually diminish and may even be eliminated altogether in the course of years, and when that policy of protection has proved successful, then Government should not grumble that there has been a loss of import duty. Now, let us examine this policy that the indigenous industry must make good the loss on the import duty. Take, for instance, the steel industry. If there has been or if there will be less imports of iron and steel, will the steel industry in India be asked to make good that amount which has been lost by way of import duty on steel?

An Honourable Member: There is an excise duty on steel ingots already.

Babu Baijnath Bajoria: I am not saying that there should be more excise. What I want to say is that this is a new policy which has been propounded that the sugar industry of this country must make good the loss. If, by reason of protection to the steel industry, import of steel goes down, as it is bound to do, then, will the steel industry be asked to make good the loss?

Mr. N. M. Joshi: Where is the money to come from?

Babu Baijnath Bajoria: That is for you to explain. I leave it to you.

[Babu Baijnath Bajoria.]

The same thing may be said about cotton, cement, and other industries. It means that when the industry grows here, it will have to pay excise duties. This is certainly a negation of protection, and it is an absolutely new principle which was never followed before. The second reason which the Government gave us to check over-production in sugar by eliminating weaker and inefficient producers. I have yet to hear what is the charge of inefficiency against this industry. The only point which Sir Girja Shankar Bajpai told us this morning is marketing and unregulated competition. The price of sugar has gone down to six rupees, and it must be said to the credit of the industry that this price now is at a level at which it was never before for 20 years past. In spite of heavy taxation, the price of sugar has been going down gradually and the development of the industry has also been taking place at the same time. It is a thing of which they can be proud and the Government also should be proud. It will be better for the industry if the price of sugar goes up a bit, but it is very difficult under the present circumstances. Even the Finance Member expected that this additional excise duty would be passed on to the consumer, but events have not proved this to be the case. There has been no increase in price. On the day on which this announcement of additional duty was made, there was an increase of two to three annas, but the prices have again gone down to their pre-budget level, and so the whole of this additional duty has to be borne by the manufacturer. It is a matter of great satisfaction that in a few years the industry has been able to supply the total requirements of sugar in this country. When we compare the prices at which sugar is sold here and the prices at which Java sugar is sold *c.i.f.* Indian ports, we find that if we take out of consideration the excise duty, the price of Indian sugar is about Rs. 4-8-0 per maund, and that of Java sugar is about Rs. 3-4-0 or Rs. 3-6-0 per maund. There are several reasons why there is this difference. If the Indian industry is to be blamed that it cannot reduce its cost to the cost of production of the Java manufacturer, I will give certain reasons for that state of things, and in this, I think, the Government can help in a great way. The first and foremost thing is about the cost of cane. As we all know, the cost of cane amounts to 70 per cent. of the cost of production of sugar and is the most important item in the production of sugar. The yield from Indian cane on the average is eight to nine per cent. and that from Java cane the average is about 12 per cent. . . .

Mr. B. Das: Why do you increase one per cent. for Java and decrease one per cent. for India? Is it not 11 per cent. in Java and nine percent. in India?

Babu Baijnath Bajoria: I said it is eight to nine per cent.—was I wrong? Here is the report from the Sugar Technologist. The official annual report says, about the yield of sugar:

"It is gratifying to note that the average recovery of sugar in factories which worked for the first time during the season was as high as 8.55 per cent. In the United Provinces, the recovery in the new factories was actually higher than in the old factories."

Sir, I say that there is a good deal of difference, about 30 to 40 per cent., in the yield of sugar from Indian sugar-cane and Java sugar-cane. For this, certainly the sugar industry is not to blame, and I think it is the duty of the Government to improve the quality of sugar-cane in this

country, so that there may be more recovery of sugar from sugar-cane. The second point about the cost in India as compared with Java is that in Java most of the factory owners have got their own sugar plantations, and so their cost comes less. Here, the sugar industry has to pay a fixed price to the sugar-cane cultivator. Sir, I do not for a moment suggest that here also the factory owners should have their own plantations and should not buy sugar-cane from the cultivators, but I am only comparing at the present moment the difference,—why the cost to the Indian industry is more than to the Java producer.

Then, there is the third point, a very important point, about the by-products. Here, in India, Sir, we have practically to throw away the molasses or sell them only for a song. Well, here, the molasses can be made good use of by manufacturing spirit or alcohol, by using it as a manure or for other purposes, and it is for the Government to see that good use is made of these molasses. But they do not like to do that in this country. The Government refuse to give sanction to the sugar industry to have their own distilleries by which they can make spirit or alcohol. Sir, if alcohol is produced here in large quantities, it can be mixed with petrol for the purposes of motor transport; and now that Burma is separated from India, it is, I urge, to our great interest that we should prepare alcohol in more and more quantities so that our imports of petrol become less and less. These are some of the points which I have mentioned, which will explain the difference of cost of manufacture of sugar in India and in Java. Here, in India, out of Rs. 6 per maund, which is the selling price *ex-factories* at the present moment, the factory owner has to pay Rs. 1-8-0 in round figures, which leaves only Rs. 4-8-0 out of which for 11 maunds of cane they have to pay about Rs. 3-3-0 which leaves about Rs. 1-5-0 only! Now, is this sufficient to cover manufacturing expenses, allowances for depreciation, interest on working capital, etc.? I say, Sir, that it is not. It has been said that when the sugar excise was first imposed two or three years ago in 1934-35, the same thing was said, but the industry has been going apace since then and large profits are being made. Sir, this is not so. The effect of the excise duty has been very harmful to the Indian sugar industry, and I will explain this by giving a few examples.

First and foremost, at that time the price for sugar-cane was six annas per maund; on account of the reduction in the price of sugar, which has been due to several companies coming into existence, the price of cane has come down to Rs. 0-4-6 now, and there is every chance of its being reduced. Another thing is what my Honourable friend, Sir Girja Shankar Bajpai, said, on the basis of the list of factories which he gave us just now, that the number of factories rose up from thirty-two to one hundred and thirty in the year 1934-35. That was before the excise duty of Rs. 1-5-0 was imposed. At that time, I understand, several other factories were also under construction, which could not have been included in this figure as was said by the Honourable Member, and now what we find is that the total number of factories, after three years of the imposition of this duty, is only one hundred and forty-six, and so there has been an increase of sixteen factories only; and if we deduct the number of factories which were under construction at that time, we can see that there has been no expansion of the sugar industry due to the imposition of the excise duty since that time. These are the two definite disadvantages which have resulted from the imposition of the first excise duty on sugar, and now this additional excise duty will mean that several of the factories will have to close down, and some of them will have to be run at a loss.

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Sir, a resolution has been passed by a group of manufacturers of the Gorakhpur district that they will have to close down their mills at the end of this month as a result of this additional sugar excise duty. To show what effect it will have on the sugar-cane producers, I will read a few lines from this appeal which has been circulated to the Members of the Assembly. This appeal is not from the industry, but it is from the President of the District Congress Committee, Gorakhpur. This is what he says:

"If the mills close down from 1st April, it will result in terrible disaster to the cane growing districts. At least one-third of the cane grown will remain uncrushed. In the Gorakhpur District alone, some 2½ crore maunds of cane costing about 60 lakhs of rupees will remain uncrushed. The total revenue of the whole of the Gorakhpur District is only about 37 lakhs of rupees.

What will happen to this cane? It cannot be made into *gur*, for the 'kolhu' has almost disappeared from the country side. Again, the price of *gur* is itself so unremunerative that this year very little *gur* has been made in the country side. The concentration of the industry in the district has therefore made the peasantry entirely dependant on the fortune of the cane factories."

The Honourable Sir James Grigg (Finance Member): Who has signed that appeal?

Babu Baijnath Bajoria: It is signed by Mr. Raghava Das, President, District Congress Committee, Gorakhpur. (Interruptions.) Am I to understand that the Congress Committees are under the influence of the manufacturers?

Then, again, it has been said that there has been over-production of sugar. I repudiate this charge. In my opinion, there has been no over-production. At present only 16 per cent. of the sugar-cane, which is produced in this country, is crushed into sugar.

The Honourable Sir James Grigg: Did the Honourable Member say that there has been no over-production of sugar?

Babu Baijnath Bajoria: Yes, there had been no over-production of sugar.

The Honourable Sir James Grigg: Would he mind reading the last paragraph of the document which he has just read from where it is said: "We know that there is over-production in sugar"?

Babu Baijnath Bajoria: It is wrong. There may have been over-production of sugar in his own district for the consumption of his district, but if you consider India as a whole, there has not been over-production of sugar. (Interruptions.)

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member had better address the Chair. These conversations between Honourable Members should not go on when an Honourable Member is speaking. This ought to be realised by every Honourable Member.

Babu Baijnath Bajoria: Only 16 per cent. of sugar-cane is utilised in sugar manufacture at the present moment, and I think this figure is very low. Compared to sugar, *gur* is very unprofitable and is of very poor

value, both to the cane producer and to the consumer. Ten maunds of sugar-cane is required for the manufacture of one maund of *gur* and the price of *gur* is only about Rs. 2 or Rs. 2-8-0 per maund at the most. The *gur* manufacturer can only pay not more than two annas per maund for the cane, whereas the sugar manufacturer pays more than 4½ annas, so it is profitable for the sugar-cane cultivator to sell his cane to the sugar manufacturer rather than to the *gur* producer. So, I think there is ample scope for further sugar to be manufactured and to replace *gur* in the usual way. If there had been no excise duty at all, I can assure the Honourable the Finance Member that there would have been many more factories in this country and there would have been much more manufacture of sugar in this country.

Sir, my Honourable friends, Prof. Ranga and Dr. Ziauddin Ahmad, said that they would be satisfied if the manufacturer had a profit of ten per cent.

An Honourable Member: They said six per cent.

Babu Baijnath Bajoria: I think Dr. Ziauddin Ahmad said ten per cent. and Prof. Ranga said 7½ per cent. Sir, a factory owner will be quite satisfied if he gets a guaranteed 7½ per cent. or ten per cent. return on his investment or even a return of six per cent. But if he makes a profit of ten per cent. this year and does not make any profit next year, who is going to pay him? So, I say that if we consider the accounts of all the factories which are working at the present time, I do not think they have made on an average a profit of more than ten per cent. in the last year. The Honourable Sir Girja Shankar Bajpai gave an account of 36 companies which, according to him, were making from six per cent. to 66 per cent. but he did not say how many of them were making profits below ten per cent. and how many above ten per cent. Then, he did not take into account the accounts of those companies which were undergoing even a loss. I know of some companies which are running at a loss even at the present moment as can be seen from the share quotations of those companies.

Sir, I would like to say a few words about the remarks which the Honourable Mr. Chanda made the other day in connection with the sugar excise duty, because he comes from my province. He said that the enhanced excise duty would not affect the industry, nor the cane grower, nor the consumer. May I ask him, whom would it affect? Will it affect him? He also said that this industry was making a profit of 50 per cent. and now that it is making a profit of 25 per cent. only, it is considered a loss. He is absolutely misinformed. I would say that this is not borne out by the facts. Dr. Ziauddin Ahmad made a grievance about the weighing of sugar-cane in factories. He said that the sugar-cane is not weighed promptly when it reaches the factories. It is to the interest of the manufacturer to weigh the sugar-cane as soon as it comes to his factory, otherwise the yield of sugar from the sugar-cane will deteriorate as the cane will be dried up. But it is physically impossible to weigh the sugar-cane in an unlimited quantity which is offered at the mills. This shows that the sugar-cane cultivator thinks that it is to his advantage that he should sell his cane to the sugar manufacturer and that the price which he gets is a fair one.

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Another thing that I would like to say about this imposition is that a Sugar Tariff Board is going to be constituted very soon. I do not know why the Finance Member was in such a great haste to impose this additional duty on sugar. It was for making money. What is the necessity of constituting a Sugar Tariff Board. The Sugar Tariff Board is going to conduct a thorough enquiry into the working of this industry, and the imposition of this additional duty will, I think, forestall and prejudice that enquiry. This is most objectionable. Government should have waited till the report of the Tariff Board was available and then the Government should have come to their decision. I admit that at the present moment the competition is not between the imported sugar and the Indian sugar. A few annas of extra import duty or not does not make much difference. The price at which Indian sugar is sold is much below the import parity as was mentioned by the Honourable the Finance Member. But the whole question is this. The internal prices have gone down so considerably that it has become unremunerative, and this additional burden will mean the closing down of several factories. This industry is purely an Indian industry in the strictest sense of the term. It has got Indian capital, Indian management, Indian raw material and Indian labour. It is cent. per cent. Indian. It deserves better consideration than it has received at the hands of the Honourable the Finance Member. Sir, I support this amendment, and I oppose this addition of excise duty.

Mr. Mohan Lal Saksena: Sir, coming as I do from a province which has a very large stake in the sugar industry, I think I must raise my voice in support of the motion before the House. Sir, it is not only that we have the largest number of sugar mills in our province, not only we produce the largest quantity of sugar, but we have hundreds of thousands of peasants whose livelihood is dependent on the cultivation of sugar-cane. Sir, since the introduction of the Finance Bill, there has been almost universal criticism of the new taxes that the Honourable the Finance Member has proposed. They have been denounced by all shades of opinion in this House and outside. But still, the other day, we listened to the speech by the Honourable the Finance Member, and I wondered at his self-complacent attitude. I was a little amused at the manner in which he made short shrift of the arguments advanced by the Opposition and the way in which, at the end of his speech, patted himself and said: "Well done, Grigg, your proposals have come out unscathed during all this discussion". Sir, so long as there are the protecting wings of the fairy goddess in the Viceregal Lodge to give her shelter and to restore his clipped wings, the Honourable the Finance Member will go on behaving and acting in the manner he has been doing and still he will go unscathed and unscotched. Let us examine the manner in which he dealt with the arguments advanced by the Opposition.

As for this section of the House, he said, after all these are Congress people, they are opposed to all sorts of taxation, they will not be a party to any measure of taxation that is brought forward by the Government as it is constituted at present, and therefore, he need not pay any heed to them. As for Mr. Satyamurti, his speech was full of rhetoric and there was nothing in it. But what about Sir Cowasji and Sir Homi Mody? They are industrialists? Being himself obsessed with protection he said they are always crying for protection and more protection. Their arguments are all

guided by one motive, that the protection is being removed. Therefore, he did not attach any importance to those arguments. Then, what about that section of the House which outside this House is known by a term which will not be parliamentary to mention in this House, I mean that section of this House which has been supporting the Government measures out and out. When the Honourable the Finance Member finds that Honourable Members like Sir Muhammad Yamin Khan and Sir Muhammad Yakub and Haji Seth Abdoola Haroon are opposed to his measures, he disposed them by saying that they were not conversant with facts. He quoted their speeches and said that they were not borne out by facts. We know that even a worm sometimes turns and we heard Sir Muhammad Yamin Khan the other day. We saw him turning round and challenging the Honourable the Finance Member and charging him with misquoting and misrepresenting him. Still they had lingering faith and they appealed to the Honourable the Finance Member in all humility and earnestness. But, I am sure, the Honourable the Finance Member will remain unimpressed by all their pleadings and their requests and their appeals.

As regards arguments advanced by people outside the House, what do we find? We find that Sir T. Vijayaraghavachariar, a former distinguished Member of the Government Benches, who was in Government service, who went outside India to represent Indian interests, coming out with his criticism and denouncing the proposed imposition of excise duty. But the Honourable the Finance Member says, he is not a disinterested person and his opinions are biased, and so he dismisses his views.

Then, there is the Federation of Indian Chambers of Commerce and Industry, and there is also the representation made by the Indian Merchants' Chamber, and there is the representation made by the Sugar Millowners' Association, and the Honourable the Finance Member says with regard to these representations that, after all, whenever any new taxation is imposed, they must resent and they must protest, and that their protest is merely formal, and there is nothing substantial about it. Then, when he is confronted with a resolution passed by some of the millowners of Gorakhpur district that they were not going to crush any more cane after 31st March, he says they were not serious. This is all simply to bring pressure on him, and he is not going to be moved by these resolutions. They are merely paper resolutions. This is the manner in which he has disposed of all the arguments. I understand that a deputation of millowners came and waited on the Honourable the Finance Member, but he refused to be convinced by them. After all, Mr. Chanda has given us the secret of the attitude of the Government. He gave us a story of a certain man having offered to part with his pair of bulls provided he was convinced of a certain thing, but when his wife protested, he said, "My dear, you forget that after all it is I who is to be convinced". Here is our Finance Member who brings forward his proposals, and when we advance arguments whether they be from this side of the House or from the other side of the House, either from friendly quarters or from unfriendly quarters, he comes forward and says that whatever arguments he himself put forward have not been refuted by facts and figures. Well, Sir, what are the facts and figures? We find that the excise duty on *khandsari* sugar is going to increase from ten annas to Rs. 1-5-0, while the excise duty on factory sugar is going to increase from Rs. 1-5-0 to Rs. 2. May I know what was the evidence on the basis of which the Honourable the Finance

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Member thought it proper to impose this high duty on *khandsari* sugar? May I remind him of the answer given by Mr. Raisman about the profits that the *khandsari* sugar is making. It was in 1935, in reply to a question by my Honourable friend, Dr. Ziauddin Ahmad, that Mr. Raisman said that the profit of *khandsari* factory sugar was seven annas and four pies. This was in 1935. If the profits in 1935 were only Rs. 0-7-4, certainly those profits must have gone down, because the price of sugar has fallen. What is the argument? Did he consult Mr. Raisman and find out how much profit was this *khandsari* sugar making? But here again the eloquence of a Member from the U. P., Sir Girja Shankar Bajpai, was requisitioned in support of the Honourable the Finance Member. He said that 75 per cent. to 90 per cent. of sugar would remain unaffected by this duty. Why do you tax even this ten per cent., I ask? Why do you levy, if you must, a comparatively higher duty than even on the factory sugar? What is the justification for it? What are the profits that you are going to get from it? Sir, it was estimated in 1934-35 that the yield from this *khandsari* sugar would be 15 lakhs, but it was found to be only Rs. 57,000. Again, it was still less, and when this was pointed out that because the *khandsari* factories were closed the excise duty has gone down, they said: "No: the facts and figures on the basis of which the estimates were made were not accurate, and there was no accurate information in the possession of Government." Now, I want to know from the Finance Member how much he is expecting to get from this increased duty on *khandsari* sugar. Will it be a few thousands or a few lakhs? If it is going to be a few thousands, why are you going to impose this duty on *khandsari* sugar, and specially when you profess to have so much love for cottage industries? Sir Girja Shankar Bajpai says that it is not a cottage industry; that the *khandsari* factories which are going to be taxed are those factories which employ 20 or more men. But I think even these factories come within the category of cottage industries, and, as such, if the head of the Government, who has been professing again and again his love for the agriculturists and the people living in the villages, is concerned about their welfare, what is the justification for imposing such a high duty on the *khandsari* sugar which, according to the showing of Sir Girja Shankar Bajpai himself, shall not be more than ten per cent. of all the *khandsari* sugar that is being manufactured in this country?

Then, I will mention another thing. My Honourable friend, Mr. Ramsay Scott, put a question in 1936, and, in reply to that, it 1 P.M. was stated that the estimated yield from excise duty on *khandsari* sugar for 1935-36 was 15 lakhs, but for 11 months the yield was only Rs. 49,000. If that is the way in which the budget estimates are prepared, I must say that those who make the estimates are more responsible than anybody else for the precarious financial position of the Government.

Now, I come to factory sugar. The other day, the Honourable the Finance Member was pleased to quote in his support an extract from the *Pioneer* of the 14th instant, and said that the articles stated that the protection which is being given to the sugar industry is quite enough. But he forgot to inform the House, or may be he deliberately did not inform the House, that this article was written in support of the demand that there should not be any fresh imposition of excise duty on sugar. This

article was published in the *Pioneer* in two instalments, and, at the beginning of the second instalment, the writer says:

"In considering the raising of the excise duty on sugar we will have to take into account the falling internal prices for sugar produced within the country. This is due to over-production and a rapid growth in the number of mills within the last four years. The price of Indian factory made sugar, first crystal, in February 1937 was about Rs. 6-9-0 (mean price between Rs. 5-14-0 and Rs. 7-4-0) per maund. Compared to the present cost of production these prices leave a margin of about 0-13-4 a maund. As against this an excise duty of 0-15-5 was imposed last year. How the sugar manufacturers could pay the excise duty last year is explained by the fact that the cost calculations made by the tariff board were based on the assumption that the factories could crush 13 lakhs of maunds of cane annually or in other words, for a factory with a daily crushing capacity of 300 tons of cane. But actually the factories were crushing between 800 to 2,000 tons a day, the general average being 1,000 tons. It was the reduced cost of manufacturing on large scale that could enable the big factory owners to pay the excise duty. The smaller mills suffered a loss and some of them could declare no dividends. Sugar refineries and the *Khand-saris* (indigenous sugar manufacturers) had to stop production because their cost of production was even higher than that of the small factories and they could have no chance of standing the competition. This duty is being raised to Rs. 1-7-6 per maund (Rs. 2 per cwt.) and would mean an additional burden of annas eight per maund."

I am quoting the same writer whom the Finance Member quoted the other day. The writer, who is a Lecturer in the Lucknow University, has shown by facts and figures that this duty is going to mean a great hardship, not only to the manufacturers, but also to the cultivators.

Then, Sir, the Honourable the Finance Member also quoted the President of the Congress, and he thought he was quoting something against which we had nothing to say. We admit just now that there has been over-production, and even now the Honourable the Finance Member interrupted Mr. Bajoria and said that in the letter of Babu Raghava Dass it is said that there is over-production. But I want him to read it through. In his appeal, Babu Raghava Dass says:

"We know that there is over-production in sugar, and we cannot go on increasing the area under cane cultivation. But the fault of not controlling the increase in the area under cane is not the cultivators'. The Government and its cane development societies and the millowners have all been encouraging the growth in the area under cane. The measures to stop over-production of sugar must therefore take into account the cane-growers' plight."

Babu Raghava Dass informs us that during last year there has been 16 per cent. increase in the area of cultivation; and he further says that in Gorakhpur, where you have got about 25 mills, there are about 80,000 families who are dependent on the cultivation of sugar-cane. And this is one of the districts which was hit very hard by the last floods. About 1,500 villages had been afflicted. Their only hope was this cane crop, but now comes the excise duty, and there is the decision of the factory owners who have resolved that they are going to crush no more cane. May I know if the Finance Member or his Department consulted the U. P. Government on the subject? What is going to happen to these cultivators? Did he consult the Minister of Agriculture there? I have got at least one quotation from the Minister of Education. When the Honourable Sir Frank Noyce went to open this Sugar Technological Institute, the Minister told him about the plight of the agriculturists and the sugar manufacturers there. I do not know whether the Finance Member is going to take all this into consideration. I was saying that he referred to Pandit Jawaharlal Nehru: but what did Pandit Jawaharlal Nehru say? Does he not talk

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every day about the miserable plight of the cultivators? What has the Finance Member done to alleviate that? When Pandit Jawaharlal Nehru was speaking, he was speaking of the miserable plight of the cane growers there. What is their condition today? But the Honourable the Finance Member says: "Never mind, you can get your sugar from Java; and, as for the cultivators, they can take to some other crop". What other crop can they take to? Has he considered what other crop they should substitute for sugar-cane? We would like to know it. He also said that we spent 15 crores on sugar, out of which five crores only went to Java and ten crores went to the Government of India, and now the Government of India had lost about ten crores in revenue: therefore, what can the Government of India do? But I want him to bear in mind that, out of this ten crores, which he says is lost to the Government of India, is he sure that the Government are getting nothing besides the excise duty? Is he not getting greater revenue through income-tax? Is it not a fact that the railways are earning larger revenues by carrying sugar-cane? Is it not a fact that the irrigation authorities have been earning a lot because of the increase in sugar-cane cultivation in the country? Has he not read the statement of an employee in the Irrigation Department of the Bombay Government which came out in the papers yesterday, that it is feared that the Irrigation Department in Bombay is going to suffer a loss of about 20 per cent. owing to this increase in the excise duty? May I know if he consulted the Provincial Governments as to how much decrease was going to be caused owing to decrease in sugar-cane cultivation? I think he would have been on surer ground if he had placed all these facts before us; but he did not do anything of the kind. He has not waited for the report of the Tariff Board which is going to be appointed: why such great hurry? Was he afraid of the results of the inquiry? Did he think that, after the report of the Tariff Board, it would not be possible and he would not be justified in making a fresh imposition of excise duty on sugar? Was it because of that? If not, then why this haste? His proposal to impose fresh taxation without consulting Local Governments, and without waiting for the results of this inquiry by the Tariff Board, reminds me of that foolish man whose cupidity and stupidity egged him on to slaughter the goose which laid golden eggs, so that he might get the golden eggs all at once. He says: "Look here; here is an industry built up by the sacrifices of the Government, and, therefore, the Government have a right to sacrifice the industry to protect itself." This is the argument he has advanced. He also says that, by the imposition of this fresh excise duty, only the inefficient will be wiped out. I say, it is not inefficiency, but efficiency itself which is being penalised. As has been pointed out by Mr. Bajoria, there may be defects: I concede there are defects of organisation; there may be lack of proper marketing, lack of co-ordination, all these things are there. Sir Girja Shankar Bajpai contends: "Look here, after all sugar is selling at Rs. 6-4-0 or Rs. 6-9-0 a maund now, formerly the consumer used to pay Rs. 10 a maund: why cannot he pay eight annas more now?" Again, he says: "After all, if the manufacturer organises the industry and takes steps to have proper marketing, sugar will bring higher prices. Because they are not doing that, they must be punished." But I want the Government to know this: that in the present condition of the industry, we know there are defects . . .

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member can continue his speech after Lunch.

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

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

Mr. Mohan Lal Saksena: Mr. Deputy President, when the House rose, I think I was referring to the argument of the Finance Member that, instead of getting this protection, if India were getting sugar from Java, then the Government would have got ten crores of rupees, assuming that India consumed about fifteen crores worth of sugar; and, then, as regards the employment that has been provided to the cultivator by the sugarcane crop, he said that the cultivator would have taken to some other crop if this protection to the industry had not been afforded. Sir, I want to know from the Honourable the Finance Member whether he has ever consulted the Agricultural Department as to what is the crop which these cultivators could have taken to in the absence of the sugarcane industry? I have already referred to the letter addressed to the Members of the Assembly by the President of the District Congress Committee at Gorakhpur, and I am informed by my friend, Mr. B. B. Varma, that similar letters have been received by him and other Members of Bihar where a large number of cultivators are going to be affected by the excise duty. After all, Sir, what are the facts? My friend, Sir Girja Shankar Bajpai, says: "Well, after all, this excise duty can be shifted on to the consumer". Now, I ask, has it been transferred to the consumer? The excise duty has been in force for now well nigh two weeks. Have the prices of sugar gone up? They had gone up a little, but they have now come down. So the prices remain where they were. Does the Finance Member expect that the manufacturers will go on crushing sugarcane simply for the benefit of these cultivators? Personally, I don't think they will care to do anything of the kind. They have decided,—and I don't think it is an idle threat,—to close their factories. After all, there is the question of profit. If the manufacturer cannot crush sugarcane at a profit, he is not going to work his factory merely for the sake of helping the cultivator. At the most, what he might do is, he might purchase sugarcane at a lower rate, and that again would mean a loss of crores of rupees to our cultivators. Thus, the whole of this excise duty will be passed on to the cultivator, and not to the consumer or the manufacturer. Then, again, so far as our province and the province of Bihar are concerned, sugar factories shall have to face a double competition. Sir, in our province, we have got a large number of factories which were started during the last three or four years, and the same is the case in Bihar too. I have got exact figures, there were 61 factories in the U. P. and 24 factories in Bihar, started during the last four years, and not during the last two years. I hope my friend, Sir Girja Shankar Bajpai, will correct me if I am wrong. Now, Sir, we know that as against these, other factories have been working for a longer time. They have established themselves, they have built up reserves, they have got longer experience, and, therefore, they have a distinct advantage over these factories which have come into existence during the past three or four years. Therefore, these newly started factories have to compete with the older

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mills. Then, there is also the question of railway freight to be paid to Bombay and other ports on sugar sent from the U. P. and Bihar, and, apart from this additional cost of freight, our sugar has to face the competition with Java sugar and also with sugar that is made in those provinces. Therefore, most of the factories in the U. P. and Bihar have to face a two-fold competition by the imposition of this excise duty.

Sir, there is another danger to the Indian sugar industry as a whole. There is no sugar excise duty in Indian States. Some of the States might start sugar factories. We know for a fact that Mysora and Hyderabad already got a number of factories running very successfully, and other States also might similarly encourage the starting of factories for making sugar if they find that sugarcane will be available within easy distance. Therefore, Sir, I think, even from an administrative point of view the imposition of the sugar excise duty is not at all desirable.

Then, my friend, Sir Girja Shankar, said, Oh, instead of arguments, even if he were to throw manna, he would not be satisfied, as if we were so very unreasonable people. Well, leave manna alone. We want bread. We have been asking you for bread for our cultivators, and you have given stones, and more and more taxation has been imposed.

Sir, If the Government impose this excise duty, there will be great hardship caused to the cultivators in the U. P. and Bihar. My friend, the Finance Member, may not be there to face those troubles, but the Provincial Governments will have to face them. I should like the Finance Member to consult the men on the spot as to what is going to happen if these manufacturers stop crushing cane after the 1st of April, as they have decided to do. How much sugarcane will remain uncrushed? What will be the total value of that crop, and what will be the extent of the suffering that would be caused to the poor cultivators in whose welfare everybody seems to be interested so long as his purse or pocket is not touched.

The other day, Mr. Chanda told us that comparatively the Government servants were low paid; he said that the lawyers were well paid, the doctors were well paid, the merchants were making good profits, but it was the Government servants who suffered. Sir, if one examines the figures, one will find that during the last ten years, the income of all classes has gone down considerably, except the income of Government servants. That is the only class whose income has not gone down, and it is certainly surprising that the Finance Member should have come forward with a proposal to impose an excise duty on sugar which will fall heavily on the poor cultivators, instead of resorting to a salary cut. Then, Mr. Chanda went on to say: "Certainly the Government have a right to expect,—after having suffered an annual loss of about 10 crores in their revenues,—the sugar manufacturers, the consumers and the cultivators to make some sacrifice." But I want to know, after having fattened on our peoples money for the last so many years, have we no right to expect any sacrifice from the Government servants,—the Finance Member downwards, or we should continue to pay them at the same rates of pay, so that they may go on imposing burden after burden, and they expect that we should not even groan, because they say that, after all, whenever any tax is imposed, there is bound to be protests raised from all quarters, and that was the argument of Sir Girja Shankar Bajpai. We on this side are not

opposed to taxation, but we are certainly opposed to this taxation and the manner in which the money raised by taxation is being spent. Unless we are sure that the money raised from the Indian people is being spent for the welfare of the people, we are not going to be a party to any measure of taxation that may be brought by the Government Benches on the other side. So far as this particular duty is concerned, we are not opposing it on political grounds or on constitutional grounds, but because we feel that it is not justified, judging either from canons of taxation or even on ethical grounds. What is the position? After all, you assured the industry of protection for fifteen years. The one charge against the Indian people was that Indian capital was shy, that we were not enterprising, that we were not industrially-minded, that we were hoarders of money, and so on. But what do we find? In less than six years about rupees thirty crores have been invested. Given proper conditions, given suitable encouragement, Indian capital is not slack. We find not only that. During the last five or six years, we have built up an industry which can hold its own as against any other. Having given assurances of protection for a definite period, will it be fair for the Government to take it back? Will it not scare away future investors? Therefore, if you find that these factories are not playing the game properly, the remedy is not to impose an excise duty, but to tax the profits. You can tax the profits, you can socialise the profits if you want to. The Government actually examined the profits and losses of 31 companies, and the profits ranged from $7\frac{1}{2}$ per cent. or 10 per cent. to 66 per cent. or something like that. I asked Sir Girja Shankar how many of them were making 66 per cent. The reply was one. I say, by all means tax all these profits if you may, and you should be able to do it. But you must wait for this enquiry that is going to be instituted, and, till then, you must find some other means of raising the necessary money. The Honourable Member will not take our other suggestions. When we ask him to impose a duty on the export of gold, he does nothing, and says that it should not be done. After all, Sir, gold is either a commodity or not. The Honourable Member has come forward and said: "We purchased gold at a cheap rate and we are selling it at a high price. So it is to the advantage of India that gold should be allowed to be exported free."

The Honourable Sir James Grigg: May I ask, is the Honourable Member in order in discussing an export duty on gold, on an amendment which relates to sugar excise duty?

Mr. Deputy President (Mr. Akhil Chandra Datta): The Chair does not think so. The Chair does not know how the Honourable Member makes it relevant.

Mr. Mohan Lal Saksena: I make it relevant in this way, Sir. How is this deficit to be met? When we oppose this particular duty, we are prepared to make other suggestions as to how to raise the money, but the Honourable Member is not willing to listen to us; he is to blame for it, and not we.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Chair hopes the Honourable Member will not dilate on it.

Mr. Mohan Lal Saksena: I will not dilate on it. But I know one thing. It is well known, it does not require any knowledge of economics—that no householder in India will part with his gold and silver holding unless he is reduced to an absolute state of poverty.

The Honourable Sir James Grigg: That is why you want to tax him!

Mr. Mohan Lal Saksena: According to you it is a commodity, and you must tax it.

The Honourable Sir James Grigg: You say that I do not want to put an export duty on gold. You have just said you do want to do it. You also said that gold is the ultimate property of very poor distressed people, and I say that is why you want to tax them!

Some Honourable Members: Oh, oh!

Mr. Mohan Lal Saksena: Any way, I have not much time, because other friends are going to speak after me. I want that this export of gold should be taxed, but all the same we want that the tenantry and the peasant should have relief otherwise. They are being crushed by other burdens, and we want that to be taken off.

An Honourable Member: They have no more gold.

Mr. Mohan Lal Saksena: And even the *Statesman* is pleading for the imposition of an export duty on gold now. And where has all this gone to? To the Bank of England.

An Honourable Member: No, no.

Mr. Mohan Lal Saksena: Most of it.

An Honourable Member: Have another guess.

Mr. Mohan Lal Saksena: Lastly, I want to come back to *khandsari* sugar. I have already told the House that the yield from this is going to be very small. In the 1935-36 estimates, it was expected that Rs. 15 lakhs would be realised, but only Rs. 49,000 was realised in 11 months. In 1936-37, it was expected that one lakh . . .

The Honourable Sir James Grigg: I say it is a repetition of what has been said over and over again before.

Mr. Mohan Lal Saksena: If you want to interrupt me, do so in a manner that may be audible.

Mr. M. Ananthasayanam Ayyangar (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): And also as decorum requires, and not sitting.

Mr. Mohan Lal Saksena: In reply to another question in the House, it was stated that in 1936-37 the estimate of excise duty from *khandsari* sugar was only one lakh. So, if this duty is going to be raised from ten annas to Rs. 1-5-0 it means an increase of 11 annas, and that would mean that the total income will not be more than Rs. 2 lakhs. So, have the Government come to such a pass that for this paltry sum of Rs. 2 lakhs they are going to tax these cottage industries?

Mr. A. H. Lloyd (Government of India: Nominated Official): It is not a cottage industry.

The Honourable Sir James Grigg: May I inform the Honourable Member—what he does not appear to know—that *khandsari* sugar is not taxed at all unless it is made in a factory employing at least 20 persons?

Mr. Mohan Lal Saksena: Yes.

The Honourable Sir James Grigg: 20 is a cottage—is it?

Mr. Mohan Lal Saksena: Our ideas of a cottage industry differ. Personally I think all the factories that are working even with 20 persons in villages are cottage industries. I am not one of those who believe that, because there are five persons working, it is a cottage industry, whether they work in a city or a town or elsewhere. I know that these *khandsari* factories that are employing 20 or even more workers are providing bread to so many cultivators, and I know more than the Honourable Member as to what these *khandsari* factories or any other subsidiary occupations mean to the villagers. I have seen their position. I have seen how they are faring. Even one pie a day added to their income is bound to go a long way to alleviate their suffering and misery. I would like the Honourable the Finance Member to go round with me into the villages and see to what straits these people have come. Assuming that the number of factories affected is so small as the Honourable Member has pointed out, what is the justification for increasing it by more than 100 per cent. so far as *khandsari* is concerned? Is it not a fact that *khandsari* sugar is making a smaller profit than the factory sugar? Why have you increased this duty by more than 100 per cent. while, on the factory sugar, you have increased the duty only by about 50 per cent.? Lastly, Sir, I know that the Honourable the Finance Member and his colleagues on the front benches are desirous of going down in history like the ministers of King George III who were responsible for the loss of a great dominion. We may carry any number of cuts. We may pass any number of censure motions, but they are not going to listen to us. The stage has come when, instead of censuring, scrapping of the Government is needed. The Honourable Member may feel safe in his place, and he may think that he may go on defying our votes here, but I may tell him that every popular decision that he resists has its repercussion outside, and Sir Cowasji Jehangir was right in saying that to a great extent the acts of the Government are responsible for the popular resentment against the Government. Things are moving faster than the Honourable the Finance Member can realise. He sits here and he is assured by people on the spot, by flunkies and toadies that the Government had got the support of the people, but what do we find in the last elections?

The Honourable Sir James Grigg: Is this in order on a debate on sugar?

Mr. Deputy President (Mr. Akhil Chandra Datta): Although there is no time limit, there are other Honourable Members anxious to speak, and, therefore, the Chair would ask the Honourable Member to cut short his remarks.

Mr. Mohan Lal Saksena: I was only giving him a warning. That is all. We know he is not going to listen to us. I want to tell him that he may go on doing this, but the day of reckoning is not far off. The Government will have to suffer for defying every popular vote and for every action they take against the wishes of this House. With these words, I support the motion.

Haji Chaudhury Muhammad Ismail Khan (Burdwan and Presidency Divisions: Muhammadan Rural): Sir, I rise to support the amendment moved by my Honourable friend, Mr. Kazmi. The proposal of the Finance Member to increase the excise duty on sugar from Rs. 1-5-0 to Rs. 2 per cwt. has already created a great stir in the industry, as this increase is not

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justified for the simple reason that it is opposed to the interests of the agriculturists, the consumers and the producers. It has been condemned by almost every one interested in the growth and development of this industry.

Sir, the Finance Member is out to increase the duty on sugar which was granted protection only a few years back. The industry could hardly be expected to organise itself in such a comparatively short time. There is no doubt that, with the aid of the protection, the industry has made a remarkable progress, but to check its development and to kill it in its infancy cannot be considered to be a sound policy of the Government. The small investors who, as a result of the protection granted to it, took to this industry and invested a large amount of money in it in the hope of making profits will feel its effects very much and it is sure to prove unbearable to them. This House has always been opposed to the principle of levying a tax on production and not on profits. The policy of imposing the additional duty on sugar at this stage is not at all sound as it is bound to eliminate the struggling small manufacturers from the field and also deprive the growers of cane of fair prices for their produce.

Sir, as I have already pointed out, only a few years ago, this House granted protection to this industry to foster itself and to make India self-sufficient in the matter of sugar. But, before it could consolidate itself, an excise duty was imposed on it in 1934, and now the Finance Member wants to enhance the duty that was put three years ago. The question of further protection to this industry is being referred to a Tariff Board, and surely the Government could have stayed their hands for a little more time and allowed it to develop. It is very unfair that, before the results of the Tariff Board enquiry into the state of the industry are known to the Government, they should have considered it fit and desirable to burden the industry with this additional duty.

Sir, the Honourable the Finance Member thinks that the effect of the enhancement of the excise duty will be to drive out of existence the weak and inefficient producer. I am unable to subscribe to this argument of his. The growth of the industry has greatly added to the economic betterment of the people, and it would have been preferable if he had spared it and given an opportunity to it to improve its efficiency. In my opinion, the excise duty is bound to hamper, not only the interests of the manufacturer and the agriculturist, but possibly also our export to other countries.

There is another point. As this industry provides work to a large number of persons, the unemployment problem is sure to be more acute in the event of closing down of factories. Instead of tackling this unemployment problem, the Government are trying to worsen the situation. I am honestly of opinion that the industry is not in a position to shoulder any additional burden. I appeal to the Honourable the Finance Member to accept at least this modest demand of this side of the House. With these words, I support the amendment.

Mr. Sri Prakasa (Allahabad and Jhansi Divisions: Non-Muhammadan Rural): Once upon a time, Sir,—and I should like to give a sugar story in order to satisfy the fastidious taste of my friend, Mr. Girja Shankar Bajpai. (*An Honourable Member*: "Sir.")—as titles are no part of the functions of the Governor General in Council, I do not propose to recognise

them (Laughter)—Once upon a time, as I was saying, there was a boy; and, like all boys who are going to make history, he was no good student of history or of anything else. And like the thief in the dark came the eve of the examination. Nothing daunted, he repaired to the neighbouring temple of Kali; and standing on one leg with folded hands he prayed: "O, Kali, give me wisdom; O, Kali, give me knowledge; blast my examiners and let me pass." Pleased at the prayers, Sir, in the small hours of the morning, Kali appeared. She had an ordinary female form, with two legs and two hands and the rest of it; but she had one thousand heads. As the boy saw this figure, he laughed aloud. Kali was angry; she exclaimed: "I come in person to you and you laugh! Why do you laugh?" The boy said: "Don't be angry. A cough suddenly came to me, and I laughed. I am always at a loss to know as to what to do when I catch a cold. I have only two hands and one nose; and it takes all that I am worth to keep my nose in order. I am wondering how you are able to manage thousand noses with only two hands when you catch a cold." Kali was appeased. She said: "I am very pleased with your light-hearted optimism. I am even more pleased with your mathematics. You can grasp at a single glance the number of noses and hands that appear before you; and it seems to me that you are quite capable of calculating to a fraction of two-sevenths of a pound avoirdupois the amount of catarrh that will flow from various types of noses. As catarrh is as necessary to keep the cold out, as salt and sugar are necessary to keep the heat in, it seems to me that you are the fittest person to be a Finance Member and take all these things. You should at once go to the Court at Delhi, and I shall arrange beforehand that you should be appointed." So, the boy, Sir, with his shining morning face, his hair carefully brushed, and with a rose in his buttonhole, appeared before the King, and he was forthwith appointed. (Laughter.) He pleased the King with his ready wit, he blasted his enemies with his withering satire, he played ducks and drakes with the finances of the country, but the people in sheer terror worship him as a god! And to this great god of capitalism *cum* imperialism *cum* bureaucracy, this eternal boy of our finances, I pay my reverent homage. (An Honourable Member: "Amen.") Having fulfilled my task like a pious Hindu, who must always worship some god before he enters on any mission, I shall proceed with the subject in hand (Hear, hear) and I am sure you must have found that the story is a relevant one.

I am not so much worried over the excise duty on sugar as I am filled with wrath at the whole policy of the Government with regard to sugar. Sir, some years ago they gave artificial help to the sugar industry; and as the sentences quoted by the Finance Member from Jawaharlal's Autobiography clearly show, this artificial help brought on a mushroom growth of sugar factories. If the Government had intended to hit the industry, they should never have started in this insidious manner. Having encouraged the people to invest heaps of money in this industry, they are now changing their policy, and making the industry impossible. The way in which sugar has fared in our land, and especially in my province during the last few years is scandalous in the extreme. The whole economy of the village has been revolutionised and ruined. If you travel through the districts of Basti and Gorakhpur, you will find that large fields that were formerly given over to wheat and barley cultivation are now used for sugarcane; there are large sugar factories near even small way side stations, and the funny thing is that there is no sugar available in the villages at all. Where so much sugarcane is grown, that is, in the

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villages themselves, no sugar is now left—that is the tragedy of the situation. With the factories near at hand, all cane growers sell the sugarcane to these factories. They have to undergo innumerable troubles to get their sugarcane sold; they have to stay outside the factory in rain and cold for long days and nights before they can manage to get their sugarcane taken at the factory. Still they prefer to sell the cane than keep it themselves.

In one of the villages in which we held a census, we found that out of about 110 families, there were only six or seven which had sugar in any form on the great Diwali day. The children of all these families had no sugar on a festival day, while sugarcane was being cultivated all-round! The old system was for every tenant to reserve a small portion of his land for sugar cultivation; and when he reaped the sugar crop, he brought it home, turned it into *rab*, *khand* or refined sugar as suited his fancy, kept enough for the needs of his family, and sold the rest. What happens now is that the whole lot is sold out and nothing is retained. My friend, Mr. Chanda, who is the biggest chunk of *gur* I have ever come across (Laughter) said that a poor villager never takes sugar, he only takes *gur*. But he forgets that *gur* and sugar are practically the same for the villager. If he gets no sugar he gets no *gur*, because when he sells his sugarcane crop, the possibilities of getting either sugar or *gur* both disappear together. The net result is that no sugar is left for these villagers at all.

The Finance Member, Sir, does not know what the heat of the plains is. I gave a story to this House that even when it is moderately hot, he travels with forty maunds of ice. I take the earliest opportunity to correct the figure for he has solemnly assured me that he carries only thirteen maunds and not forty. If he should ever peep out of his saloon window while travelling in the plains on a May or June day, he will find that sugarcane cultivation is being carried on by poor peasants at great pain and in great agony. They have no ice to keep them cool; they only have the sun to beat on their heads and backs to keep them hot and very hot indeed. It is a pity that after all the labour that these men undergo to grow sugarcane, their children should be deprived even of a bit of sugar during the whole course of the year! And my plea is just this that the whole policy of Government as regards sugar needs overhauling, and they should consider the possibilities of so managing things that the fruits of the labour of these villagers should go to themselves.

Sir, it is cruel and thoughtless to embark upon, first the policy of artificially helping an industry, and then to indulge in a contrary policy so as to kill the whole of that industry. The Honourable the Finance Member may say that in the way he is now adopting the men in the villages would be able to keep their sugarcane, as they used to do before; and they will not now be in such a breakneck hurry to sell it all to the nearest factory. But what is happening at the present moment? In Bihar, for instance, they have a sliding scale of prices which they revise every fortnight; and our latest information is that the factory owners have threatened to close down their factories on March 31st if this duty is imposed. The result of all this will be that heaps and heaps of sugarcane lying at the gates of these factories will rot and go to waste and the peasant will be ruined. I think the Finance Member should take into consideration this particular aspect of the question. The pity of it all is that before the Bill has passed

this House even in a certified form, the duty has already come into existence. In the last clause of his Bill, he has declared that it is in the public interest—I do not know what he means by “public” and what he means by “interest”—that these duties must be imposed immediately. Sir, my friend, Sir Girja Shankar Bajpai, said that the Government must not be accused of any Machiavellian motives. To say that, was the biggest libel on the great soul of Machiavelli. (Laughter.) It is not the Machiavellian policy that the Government are pursuing. It is the Griggian policy which is far more dangerous. Machiavelli at least was frank and straight; but our friend comes under-clothed in legal garb and covered with statutory forms. In fact, however, he carries through his wishes by executive decree. So, from every point of view, it seems right that this particular clause of the Bill must be opposed.

My friend, Mr. Chanda, spoke of the heavy dividends that the sugar industry gets. May I know what dividend or interest he himself is getting on the amount of money invested on his education? Parents in India invest money on their sons' education from the same motive that they may invest in a sugar factory. I almost fear he is getting as much as 400 per cent. on the amount of money that has been spent on him and he grudges a paltry seven or eight per cent. dividend to persons who go in for other industries.

Sir Cowasji Johangir (Bombay City: Non-Muhammadian Urban): What dividend do you get?

Mr. Sri Prakasa: I get some sort of minus dividend. Men on this side of the House have every reason to complain, because, instead of giving any dividend to our parents, we continue to be heavy liabilities on them. But so far as Members on the other side are concerned, their parents, if they are living, have every reason to be satisfied with what they have been getting. I hope the House will throw out this clause and will accept the amendment. Whatever Griggian tactics may do at the end of the show, this House must record its protest against the Government's sugar policy, and, by its vote, declare that it has no need for this clause or this Bill or this Finance Member.

Sir Abdul Halim Ghuznavi (Dacca cum Mymensingh: Muhammadian Rural): Mr. Deputy President, I wish to speak a few words in connection with this sugar duty. Personally, I believe in free trade. Protection is the legalised method of transferring crores of rupees to a section of people at the cost of the masses and protection, after all, taxes consumers and brings profits to a few producers and also gives cover to inefficiency and stagnation. But in India there are industries to which protection has to be given. One thing they should do before introducing protection, and that is to find out whether that particular industry stands in need of protection and for what period. I will assume that in this case protection was given after finding out that it was necessary. Once you gave that protection for a particular period, was it fair to withdraw it within that period without a further inquiry by the Tariff Board? Protection is being withdrawn in this case, and you are imposing a duty which it cannot bear. In other words, what you gave with one hand is being taken away with the other.

In 1934, when the Honourable the Finance Member's predecessor imposed this excise duty for the first time, he said, as far as I remember, that it would be for his successor to find out whether that excise duty

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which he was imposing should be there or not after some years. There is the Tariff Board and my Honourable friend, Sir Homi Mody, made a very good point the other day when he said that the Tariff Board must be a permanent Board, if you want to have any confidence in that Board. A permanent Tariff Board will be very useful in this sense that, when they require to examine certain industries, they will examine them; and when they have not got any industries to examine, they will watch the industries to which protection has been given, see how they are proceeding and whether further protection is needed or not, and so on. That is the reason why you should have a permanent Tariff Board. Only the other day, you said that you have appointed a Tariff Board which is going to investigate the case of the sugar industry. Was it fair, before the Tariff Board has made its report, to tax sugar in the manner in which you have done?

Sir, in our childhood we were told to cut our coat according to our cloth. But what we find now is that the Government cut their coat, not according to their cloth, but they want to have other people's cloth added to their cloth to fit in the big coat they want to have. There was a deficit of a crore and three-quarters. It was the duty of the Finance Member to reduce the expenses and to balance the budget. My Honourable friend may easily say that it is easy for you to talk like this, but you should come in my place and see whether you can do it or not. We have heard that sort of remark many a time. Sir, the budget could have been balanced easily by reducing the expenses. It was not a very heavy deficit after all. Instead of doing that, he has followed the easiest course of putting a tax here and a tax there to balance the budget. What is the result of this tax? This higher tax on sugar is objectionable, because it is a tax on internal production. It is unfair to saddle sugar to the extent of Rs. 1-8-0 per maund within so short a time without giving any notice to the industrialist. One who invests his money feels that he has got the protection, and he develops his industry. What would be his position if you impose tax after tax without giving him any notice? In future, capital would be very shy, and the industrialist would find it very difficult to attract capital for his ventures. Therefore, in the case of any excise duty on a protected industry, due notice must be given to that particular industry. My friend, the Finance Member, laughs. He is perhaps thinking that there would be speculation.

The Honourable Sir James Grigg: Speculation on a certainty.

Sir Abdul Halim Ghuznavi: As far as I know, in adding these sorts of duties in England, at least time is given. It is not that today you make your statement on the floor of the House and then say that it comes into effect at once. Not even 10 days' or 15 days' time is given to adjust the affairs of the manufacturers. That is not how it is done in England as far as I know. Time is given. Therefore, I say that any increase in this tax without notice is not fair to the industry. No justifiable case has been made out since 1934 to increase the duty on sugar without investigation through the Tariff Board. You place the Tariff Board in a difficulty at once. You prejudice their investigation and prejudice the case for protection to this industry. Before the Tariff Board have gone into the matter, you raise the tax, and you raise it very high too. What earthly use is the Tariff Board afterwards? Their report will be useless. On these grounds, I support the amendment.

Some Honourable Members: The question may now be put.

Mr. Deputy President (Mr. Akhil Chandra Datta): The question is that the question be now put.

The motion was adopted.

The Honourable Sir James Grigg: Sir, one good turn deserves another, and I, in my turn, pay homage to Mr. Sri Prakasa. I will say about him that he always gives us a point of view which is interesting, which is thought-provoking and which we can get from nobody else in the world. Sir, one of the more unpleasant features of our recent debates has been the increasing shrillness with which the Honourable Baronet from Bombay has been snapping at the heels of Government ever since the success of the Congress Party at the elections had become clear.

Sir Cowasji Jehangir: Does the Honourable Member say that I never opposed the Government?

The Honourable Sir James Grigg: I said the increasing shrillness.

Sir Cowasji Jehangir: The Honourable Member is very much mistaken.

The Honourable Sir James Grigg: No doubt this is due to his natural desire to effect a re-insurance in Congress quarters.

Mr. S. Satyamurti (Madras City: Non-Muhammadian Urban): Why re-insurance?

An Honourable Member: He has already insured with the Government.

The Honourable Sir James Grigg: Judging from the avidity with which Prof. Renga welcomed his support yesterday, it looks as if the premium would not be so high as one would have expected.

An Honourable Member: Why don't you also get yourself re-insured? (Laughter.)

The Honourable Sir James Grigg: Of course, the Honourable Baronet from Bombay, no doubt on account of his inability to understand even broad distinctions, completely misrepresented my position. He represented me as advocating complete free trade for India. How can he possibly think anything of the sort when he knows perfectly well that even the revenue tariff is on an all round level of 25 per cent.

Mr. S. Satyamurti: That is in spite of you.

The Honourable Sir James Grigg: In the eyes of the Honourable Baronet from Bombay, there seems to be no difference between advocating complete free trade and opposing excessive protection and claiming that the cost to the consumer and to the revenue of protecting the manufacturer should be counted beforehand and not afterwards. The very case of sugar is a very good illustration of the distinction. At the present moment, the protection on sugar is over 200 per cent. We are proposing to reduce that by one-fifteenth and I may say in passing, to Mr. Sri Prakasa that the removal of one-fifteenth of the protection from an industry which is enjoying 200 per cent. protection can hardly be said to be making the industry impossible. As I say the removal of one-fifteenth

[Sir James Grigg.]

of the protection from the very high protection that sugar now enjoys seems to the Honourable Baronet from Bombay to be the same thing—as well as to Mr. Sri Prakasa—as killing the industry altogether.

Sir, Prof. Ranga passed some rude remarks yesterday about Cambridge University, and I am bound to admit that the Honourable Baronet from Bombay goes far to establish a *prima facie* case for the Professor's preference of the University of Oxford. Why does Prof. Ranga suppose that men like the Honourable Baronet from Bombay come here and advocate high protection so stridently? Is it for the sake of his peasants? If so, why is it that he thinks that most of the wails on behalf of the sugar cultivator have come from sugar manufacturers? Will Prof. Ranga never have his eyes opened?

Mr. Bhulabhai J. Desai (Bombay Northern Division: Non-Muhamadan Rural): Not by you?

The Honourable Sir James Grigg: Does he think that the sugar manufacturers would have lifted their little fingers if they had thought that the whole cost of this increase was going to the cultivator? Really I am tempted to say that Prof. Ranga for Oxford and Sir Cowasji Jehangir for Cambridge are just about a fair exchange. (Laughter.) Cambridge is left with Mr. Sri Prakasa and myself. (Laughter.)

Mr. Mohan Lal Saksena worked up a good deal of indignation on behalf of the cultivator which I should have regarded with a little more interest and a little more conviction if it had not been almost exactly word for word the case which was put before me by the deputation of sugar manufacturers. I say to him deliberately that my view is that if this threat to close down sugar factories on 31st March, 1937, is carried out over any wide area, it will be for political purposes and not for economic purposes. Mr. Mohan Lal Saksena was saying that it was only my opinion that they would not close down. I may say that I was not quoting my own opinion, but I was quoting the opinion of people in the trade. I will read a paragraph of this opinion of the people in the sugar trade:

"We now read that a meeting held at Gorakhpur has unanimously decided to close certain factories by the end of March as a protest against Excise duty."

Mark not because they cannot make money out of it, but as a protest against the excise duty:

"Can we honestly believe that this resolution will be kept especially when manufacturers must fully realise that a close down at a period when recovery is high can only materially increase the all-in-cost of production."

That is why I say, if this threat to close down by the 31st March materialises, it will be for political reasons and not for economic reasons.

Mr. B. Das: What is that paper from which the Honourable Member is quoting? Is it the *Statesman*?

Mr. Ram Narayan Singh (Chota Nagpur Division: Non-Muhamadan): Then, why do they protest at all?

The Honourable Sir James Grigg: You must ask them. Sir, to come to the substance of the amendment, in the first place, as somebody pointed out, the consumer is not to be benefited, in the second place, it is clear that the industry is in a much more parlous state of overproduction than we had supposed, and what Mr. Mohan Lal Saksena said this morning about the Gorakhpur manifesto is a clear admission of that. That being so, it is quite useless to talk about the possibility of sugar consumption suddenly showing enormous expansion which would absorb all this overproduction both in the factories and among the cultivators. Nor is it any use thinking that a country which can only produce sugar at 200 per cent. or so above competitive prices can find any export market for its excess production. What seems to me to be quite clear then is, first, that over-expansion or further expansion must be discouraged, and secondly, that some shake-out in the industry is bound to happen and was bound to happen independently of the excise. And for my part I would ask, what better time can there be for a shake-out than before the situation has become too dangerous, and at a time when on present showing, in accordance with calculations at present prices, cultivators can turn to alternative crops with no fear of loss and some hope of gain?

We have had another argument put forward today. This time there was no nonsense about speaking on behalf of the cultivator; it was pure unadulterated capitalism. And I particularly commend this argument to Professor Ranga, particularly as it came from his own side of the House. And that is, the rights of the investor. The argument is that investors put money into a protected industry; they get extremely high returns on it, and as they put their money into it on the faith of protection Government have an absolute obligation to see not only that they get these high returns maintained but that they get their capital guaranteed as well. In other words, what the investors in the sugar industry want is a gilt-edged return of 25 per cent. That might be all right for the investor, but where does the cultivator come in?

An Honourable Member: Why not put a tax on it?

The Honourable Sir James Grigg: There is a tax on it.

An Honourable Member: Very small.

The Honourable Sir James Grigg: Sir, what is the problem with which we have to deal? It is the problem of finding over a crore of new money at a time when several crores of new burdens are being thrown upon us in order to finance the new autonomous provinces. (*A Voice:* "Have a cut in salaries.") And our problem is to find it in 1937-38 and not a year hence. And that is the answer I give to Honourable Members who say, "Why could you not have waited till the Tariff Board had reported?"

Mr. Bhulabhai J. Desai: That is the prodigal son's answer.

The Honourable Sir James Grigg: No, I do not think so; the wise virgin's. (*Laughter.*)

[Sir James Grigg.]

Sir, as I said, this money we have got to have in order to balance the budget; and Government's contention is that we have chosen a way of getting it which will be the least burdensome. And, Sir, in the case of sugar, given the situation in which the industry finds itself, I believe that before very long the increase in the excise will be proved to have been not only no burden but a blessing (Laughter) in disguise. (Loud Laughter.)

Mr. Bhulabhai J. Desai: Yes, very much disguised!

The Honourable Sir James Grigg: And, Sir, may I say to Professor Ranga that however much Government may desire to find money on a permanent basis for rural development, there is certainly going to be no chance of doing it if he and his friends are going to prevent us from even balancing the budget, let alone producing a surplus on it. Sir, I oppose the amendment.

Mr. Deputy President (Mr. Akhil Chandra Datta): The question is: "That clause 3 of the Bill be omitted."

The Assembly divided:

AYES—74.

Abdoola Haroon, Seth Haji.
 Abdullah, Mr. H. M.
 Ahsan, Maulvi Muhammad.
 Aney, Mr. M. S.
 Asaf Ali, Mr. M.
 Ayyangar, Mr. M. Ananthasayanam.
 Azhar Ali, Mr. Muhammad.
 Badrul Hasan, Maulvi.
 Bajoria, Babu Baijnath.
 Banerjee, Dr. P. N.
 Bhagavan Das, Dr.
 Bhagchand Soni, Rai Bahadur Seth.
 Chaliha, Mr. Kuladhar.
 Chattopadhyaya, Mr. Amarendra Nath.
 Chettiar, Mr. T. S. Avinashilingam.
 Chetty, Mr. Sami Vencatachelam.
 Chunder, Mr. N. C.
 Das, Mr. B.
 Das, Mr. Basanta Kumar.
 Desai, Mr. Bhulabhai J.
 Deshmukh, Dr. G. V.
 Fazl-i-Haq Piracha, Khan Bahadur Shaikh.
 Gadgil, Mr. N. V.
 Ganga Singh, Mr.
 Ghiasuddin, Mr. M.
 Ghulam Bhik Nairang, Syed.
 Ghuznavi, Sir Abdul Halim.
 Giri, Mr. V. V.
 Govind Das, Seth.
 Gupta, Mr. Ghansham Singh.
 Hans Raj, Raizada.
 Hosmani, Mr. S. K.
 Ismail Khan, Haji Chaudhury Muhammad.
 Jedhe, Mr. K. M.
 Jhangir, Sir Cowasji.
 Jogendra Singh, Sirdar.
 Joshi, Mr. N. M.

Kailash Behari Lal, Babu.
 Khan Sahib, Dr.
 Khare, Dr. N. B.
 Lahiri Chaudhury, Mr. D. K.
 Maitra, Pandit Lakshmi Kanta.
 Malaviya, Pandit Krishna Kant.
 Mehr Shah, Nawab Sahibzada Sir Sayad Muhammad.
 Mody, Sir H. P.
 Mudaliar, Mr. C. N. Muthuranga.
 Muhammad Ahmad Kazmi, Qazi.
 Murtuza Sahib Bahadur, Maulvi Syed.
 Nageswara Rao, Mr. K.
 Nauman, Mr. Muhammad.
 Pant, Pandit Govind Ballabh.
 Parma Nand, Bhai.
 Rajah, Raja Sir Vasudeva.
 Raju, Mr. P. S. Kumaraswami.
 Ranga, Prof. N. G.
 Saksena, Mr. Mohan Lal.
 Sant Singh, Sardar.
 Santhanam, Mr. K.
 Satyamurti, Mr. S.
 Scott, Mr. J. Ramsay.
 Sham Lal, Mr.
 Shaikat Ali, Maulana.
 Sheodass Daga, Seth.
 Singh, Mr. Ram Narayan.
 Sinha, Mr. Anugrah Narayan.
 Sinha, Mr. Satya Narayan.
 Sinha, Mr. Shri Krishna.
 Som, Mr. Suryya Kumar.
 Sri Prakasa, Mr.
 Umar Aly Shah, Mr.
 Varma, Mr. B. B.
 Visanji, Mr. Mathuradas.
 Yakub, Sir Muhammad.
 Yamin Khan, Sir Muhammad.

NOES—41.

Abdul Hamid, Khan Bahadur Sir.	Mackeown, Mr. J. A.
Ahmad Nawaz Khan, Major Nawab Sir.	Mehta, Mr. S. L.
Aikman, Mr. A.	Menon, Mr. K. R.
Bajpai, Sir Girja Shankar.	Metcalfe, Sir Aubrey.
Bansidhar, Rai Sahib.	Morgan, Mr. G.
Bewoor, Mr. G. V.	Mukherjee, Rai Bahadur Sir Satya Charan.
Bhide, Mr. V. S.	Nagarkar, Mr. C. B.
Buss, Mr. L. C.	Naydu, Diwan Bahadur B. V. Sri Hari Rao.
Chanda, Mr. A. K.	Noyce, The Honourable Sir Frank.
Chapman-Mortimer, Mr. T.	Rau, Sir Raghavendra.
Craik, The Honourable Sir Henry.	Roughton, Mr. N. J.
Dalal, Dr. R. D.	Row, Mr. K. Sanjiva.
DeSouza, Dr. F. X.	Sale, Mr. J. F.
Griffiths, Mr. P. J.	Sarma, Sir Srinivasa.
Grigg, The Honourable Sir James.	Sher Muhammad Khan, Captain Sardar Sir.
Hudson, Sir Leslie.	Spence, Mr. G. H.
James, Mr. F. E.	Thorne, Mr. J. A.
Jawahar Singh, Sardar Bahadur Sardar Sir.	Tottenham, Mr. G. R. F.
Lal Chand, Captain Rao Bahadur Chaudhri.	Witherington, Mr. C. H.
Lalit Chand, Thakur.	Zafullah Khan, The Honourable Sir Muhammad.
Lloyd, Mr. A. H.	

The motion was adopted.

Mr. Deputy President (Mr. Akhil Chandra Datta): The question is:

“That clause 4 stand part of the Bill.”

Babu Baijnath Bajoria: Sir, I move:

“That sub-clause (a) of clause 4 of the Bill be omitted.”

This is more or less a consequential amendment—in this way: clause 4(a) reads:

“In Item No. 17, for the words and figures ‘Rs. 9-1-0, per cwt.’ in the fourth column, the following words and figures shall be substituted, namely:

‘the rate at which excise duty is for the time being leviable on sugar, other than *khandsari* or palmyra sugar, produced in British India plus Rs. 7-4-0 per cwt.’”

It shows that the import duty on sugar will be Rs. 7-4-0 *plus* the excise duty on sugar. Now that this House has rejected the enhanced excise duty from Rs. 1-5-0 to Rs. 2, the present rate of excise duty on sugar is Rs. 1-5-0. If this clause is not deleted, then the effect of the retention of this clause will be that the import duty on sugar will be reduced from Rs. 9-1-0 to Rs. 8-9-0, that is Rs. 7-4-0 *plus* the existing excise duty, Rs. 1-5-0, which is not desirable. What I want is that the *status quo* should be maintained at Rs. 9-1-0 per cwt. as import duty; and so I move that this sub-clause should be deleted. I do not want to make a lengthy speech. I have clarified the position, and I do not want that there should be any change in the import duty and Rs. 9-1-0 should remain as it is. Sir, I move.

Mr. Deputy President (Mr. Akhil Chandra Datta): Amendment moved:

“That sub-clause (a) of clause 4 of the Bill be omitted.”

Dr. Ziauddin Ahmad: Sir, I said this morning that I am quite prepared to give protection as recommended by the Tariff Board. The recommendation of the Tariff Board is Rs. 7-4-0 per cwt. By this indirect method, they want to increase the quantum of protection by eight annas and make it not Rs. 7-4-0, but Rs. 7-12-0. I pointed out in the morning that they are very keen in demanding this extra protection, but the sugar manufacturers are exceedingly backward and they are treating the sugarcane growers in a very shabby manner. I gave three illustrations of the unfair treatment. I pointed out in the morning that these sugar manufacturers were guilty of three things, one is that they never paid the price which was demanded of them by the Tariff Board, namely, seven or eight annas a maund; the second is, their measurements were always incorrect, their maund was not eight times five seers, sometimes 12 or 13 times five seers, and that is hardly justifiable,—and the third thing is, they allow the cultivators' carts to stand outside the factories for a number of days. The poor growers have to pay for their own food and also look to the feeding of bullocks, while in the meantime the sugarcane gets dried up, with the result that these poor people have to throw up their sugarcane at any price they could get from the manufacturers. This is very unjust, and, therefore, if the manufacturers desire that they should be treated generously, then I think we should see to it that they treat the sugarcane growers generously, that the protection is not entirely for the benefit of the capitalist and it goes to the benefit of the primary cultivators also.

Sir Muhammad Yamin Khan: Sir, my friend, Dr. Ziauddin Ahmad, has made a speech opposing this motion, but the grievances he has laid before the House are really matters for the Local Governments to deal with, and it is not for the Government of India to see that the factory owners treat the cultivators properly and fairly. That grievance can be dealt with in the provinces, and I am quite sure that when the Congress which is so solicitous now of the welfare of the cultivator, form a ministry in the U. P.,—and I should be very glad to see my friend Pandit Govind Ballabh Pant, as the Chief Minister of the U. P. soon,—it will see that the cane grower is properly treated by the manufacturers in all respects. What the amendment proposes to do is to retain the protection, and not to alter or abolish it.

The Honourable Sir James Grigg: Sir, this amendment is obviously designed to restore the *status quo*. Quite clearly, Government are as opposed to the acceptance of this amendment as they were to the acceptance of the previous amendment. But, Sir, in order to save the time of the House, I say quite clearly that, though I formally oppose the amendment, I do not propose to divide the House against it

Mr. S. Satyamurti: But you have got another House, the Viceroy's House. (Laughter.)

The Honourable Sir James Grigg: After that, Sir, I have very little to say. Sir, I formally oppose this amendment.

Pandit Govind Ballabh Pant (Rohilkund and Kumaon Divisions: Non-Muhamadan Rural): Sir, I had no desire to speak, but I am told that it is necessary to establish a convention in this House that Non-Official

Members should be allowed to speak after the Government spokesman has spoken. (Laughter.) That is the reason why I have got up. I am happy, Sir, that I do not notice the ghost of any Chief Minister in this House yet. (Laughter.)

Now, Sir, I desire to make just one or two observations. I think too much stress has been laid in this House, and of all mainly by the Finance Member, on the fact that the growth of the sugar industry in this country has been fostered by the high protective duty imposed by the Government. That is really an untenable position, and there is absolutely no substance in the argument that the sugar industry has advanced in this country because of any special burdens having been imposed on the consumer. I would remind the Finance Member of what was actually done. By the Finance Act of 1931, an import duty,—and it was purely a revenue duty,—of Rs. 6-12-0 was fixed per cwt. for all sugar imported into this country. As Honourable Members are aware, when an emergency faced the Government in September, 1931, they imposed a surcharge of 25 per cent. on all revenue duties. In the meantime, the additional duty of eight annas per cwt. was added, in order to give protection to the sugar industry, but let us knock out that eight annas, let us keep to the original figure of Rs. 6-12-0 per cwt. After that, if you add 25 per cent. on account of the surcharge,—the surcharge would come to Rs. 1-11-0—it gives Rs. 8-7-0; but today while there is the import duty of Rs. 9-1-0, there is an excise duty of Rs. 1-5-0. If you knock that out, the rate would be Rs. 9-1-0 minus Rs. 1-5-0. It would have been Rs. 8-7-0 as pure revenue duty according to the Finance Act of 1931, in fact, there has been a reduction in the revenue duty *vis a vis* the indigenous manufacturer, while in all other cases the revenue duty has remained intact as it was in September, 1931. So too much of credit need not be taken by the Government that the sugar industry in this country has advanced only because of the protection given to it. If this industry has gained in any way, it may be because of the guarantee that was given by the Government that this rate would continue for a certain length of time in accordance with a definite pledge, but the Finance Member has violated that pledge. He has gone back upon that promise. It amounts to a breach of faith. I think he is not justified in treating all these findings and the accepted policies of the Tariff Board as mere scraps of paper. I think that kind of policy could well be reserved for international politics. So I want to tell the Finance Member that he should not take too much pride and he should not find needless gratification in the superstitious assumption that he and his predecessors are mainly responsible for a deliberate policy of protection, or for the notion that the sugar industry has grown under the shelter of a high protective duty. The revenue duty in other countries is high enough on sugar. He knows in France it is almost prohibitive; in his own country he knows that the rate today is more than 11s. per cwt. . . .

The Honourable Sir James Grigg: But there is an excise too.

Pandit Govind Ballabh Pant: Yes, there is also a small excise duty of 3 or 4s., so that there is net import duty of about 8s. In his country, they are giving about four crores by way of subsidy to sugarcane manufacturers. But here to grudge this small concession, and to grudge it because there has been a growth of that industry, is really vicious. Of course, all import duties are of a tapering character; sooner or later they

[Pandit Govind Ballabh Pant.]

must vanish; they cannot last for ever. There must be progressive reduction in import duty, resulting in complete annihilation if protection proves successful, but if all industries are to be trampled upon because of the success of the policy of protection, then that would reduce us to an absurd and preposterous position. So, without arguing this point further, as he has accepted that so far as this amendment goes he has nothing more to say, I would like him to remember that the growth of the sugar industry is mainly due to the enterprise of the manufacturers and also that there would have been a higher revenue duty today than the actual import duty according to the schedule of the Indian Finance Act of 1931 as it was amended later in September, 1931, when a surcharge of 25 per cent. was added to all pre-existing import duties.

[At this stage, Mr. President (The Honourable Sir Abdur Rahim) resumed the Chair.]

In these circumstances, I see no reason why the Finance Member should have gone out of his way to vary the import duty so as
 4 P.M. to put the indigenous manufacturer at a disadvantage. At present the import duty comes to Rs. 9-1-0 and with an excise duty of Rs. 1-5-0, the difference would have been Rs. 9-1-0 minus Rs. 1-5-0, that is, Rs. 7-12-0, but now he seeks to reduce it to Rs. 7-4-0. It is rather strange that on the one hand he should raise the excise duty and on the other curtail the range of the protection and bring down the difference between the import duty and the surcharge duty, and I see absolutely no justification for it. Either the present rate of duty is high enough or it is not. If it is high enough, then you are importing today sugar of fancy variety, that is, for people who have special tastes and who cannot do without that. For these people the higher the rate the higher the revenue. Why should you reduce it? But if you want to encourage the import of foreign sugar at the cost of indigenous manufacture by reducing the rate of the import duty that is a vicious beginning and one does not know where it will end. The Honourable the Finance Member has protested that he never put forward a policy of free trade. I think he is growing wiser in this country and I hope that he will go on growing wiser, but still sometimes he lapses into his original moods. He must get over it and acquire more of wisdom. If he does that, I hope that he will reconcile himself to a policy of genuine protection for the benefit, as much, if not more, of the producer of the raw material as of the manufacturer.

Mr. President (The Honourable Sir Abdur Rahim): The question is:

"That sub-clause (a) of clause 4 of the Bill be omitted."

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim): The question is:

"That clause 4, as amended, stand part of the Bill."

The motion was adopted.

Clause 4, as amended, was added to the Bill.

Clause 5 was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim): The question is:

"That Schedule I stand part of the Bill."

Mr. Sham Lal (Ambala Division: Non-Muhammadan): Sir, I beg to move:

"That in Schedule I to the Bill, in the proposed First Schedule to the Indian Post Office Act, 1898, for the entries under the head 'Postcards' the following be substituted:

'Single—Six pies.

Reply—One anna'."

With regard to this amendment I think there can be no difference of opinion. There is complete unanimity, I think, so far as the Non-Official Members are concerned, and I do not think that any elected Member will oppose it. With regard to this amendment, expressions of sympathy would be made on behalf of the Government, but I do not want their sympathy; I want their support. This is what the Honourable Sir Frank Noyce said on the last budget debate with regard to this amendment:

"With the loyal and able assistance of my Honourable friend, Mr. Bewoor, and his predecessor, Sir Thomas Ryan, and the staff of the Department, to which I am glad that my Honourable friend, Sri Prakasa, has paid a tribute, I have been able to get the finances of that Department on an even keel. There is at least, at long last, my Honourable friends may think, indication that without any artificial aid the half anna post card is in sight. The difference between us and the Honourable Members opposite is that they are not willing to allow the convalescent patient to recover naturally. They want to hasten what they think is recovery by applying a stimulus which will prove detrimental in the end. Already I have seen in questions asked in the course of the Session indications of what would happen if the course they advocate were pursued."

An assurance was given to us that, after all, the rate of postcard was going to be reduced to six pies, but we were told; "Don't do it too quickly. You are a patient, this Indian nation is a patient and is in a convalescent stage. Recovery would come very soon." I wish to ask the Honourable Member how long this convalescent stage is going to last. The Honourable Member, the great doctor, would be leaving India in the month of April, and the patient would remain in the convalescent stage. By whom is this patient going to be treated? I think this convalescent stage would last for a certain number of years; another doctor might come and he might suggest that another operation is necessary. The convalescent stage would remain on thus for several years. This assurance should be kept; otherwise there is no point in giving such an assurance. I also believed and most of the Members believed that, after all, this year the price of the postcard would be reduced to six pies. Nothing has happened since to keep up this high rate; there is no deficit so far as the post office is concerned. When once you tax the masses, it becomes very difficult for the Government to relieve the masses. Assurances are being given to us. An assurance was given to us by a doctor bigger than Sir Frank Noyce that in his term of office he would be a constitutional Viceroy. That assurance was given in 1931, and it is now 1937, and the big doctor is in England enjoying his rest, and the fulfilment of that assurance is not in sight. Now, of course, many figures would be quoted. It would be proved, at least every effort would be made to prove that the price of the postcard could not be reduced. High finance and certain other principles would be involved to support their view. But the only question is whether for the poor man a postcard is a prime necessity or not. Once you realise that it is a prime necessity, it is for you to prepare the budget in such a way that relief may be given to the poor people. If you go on preparing the budget in your own way, and if you go on spending in other

[Mr. Sham Lal.]

directions, then you can never give relief to the poor man. You play with figures. You call it a commercial department. You say that the post office cannot be a losing concern. You can invent any argument you like. We know that you have invented your own technicalities. We generally find in the case of the handwriting expert that he builds an impregnable fortress round him and never allows any one to cross-examine him and invents his own terms to justify his opinion. In the same way, the Honourable Member for Industries and Labour and Mr. Bewoor would come forward and quote figures to us and say that the budget does not justify this. What I say is, if you mean to give relief to the poor people, you must make up your mind on that point. Once you believe that justice is on the side of the poor people, then you must frame your budget accordingly and not justify the imposition of this rate.

Take the average income of the Indian. It is Rs. 50 a year, and the price of the postcard is nine pies. In England, where the average income is £300, the postcard only costs one penny. In India, this nine pies is practically half the income of the poor man. Supposing Honourable Members of Government are required to pay half their daily income for a postcard, there will be a howl from every side. They had a ten per cent. cut. What a cry they raised, and it was soon restored. What would the Honourable Member on that side say if he was required to pay half day's salary as the price of the postcard? So, my submission is that the charge levied on account of the postcard is too high.

Now, figures are given in the report about the sale of the postcard. I think there can be no doubt that when the price is reduced, there is an increase in the sale, and I do not think they would lose much. There may be some loss, but that would not be much. Further, they do not take into consideration the fact that education is spreading. People are writing more letters and more postcards. They do not take into consideration the new factors which have come in. When it suits the Government, they put forward the argument that it is a commercial concern and should be run on commercial lines. This business mentality has entered into their head, and the difficulty is that they use this phrase only when it suits them. I ask the Honourable Member whether this principle is being applied everywhere. Why are you giving a subsidy to the air service? Why are you helping the foreign mail? Why are you not increasing the postage on foreign letters? Why tax the poor people? We find that so far as the post office is concerned, there is a net profit of 22 lakhs, and so far as the Telegraph Department is concerned, there is a net loss of 83 lakhs. You can increase the rates for the telegram, but why burden the poor man? The Honourable the Finance Member was pleased to say that everybody wants the salt tax to be reduced, to reduce the sugar tax, but they do not know the inter-relation between the two items. We are told that it is a business proposition. There is the Postal Department and there is the Telegraph Department. We find that the post office is generally used by poor men, and, so far as the telegraph services are concerned, it is not of much use to the poor people. Then, why not give relief where the poor people are concerned? Why should this telegraph department be a burden on the post office. My submission is that it is altogether wrong to run this on business lines. As in the case of the railway, so in the case of the post office, empty trains, first-class trains,

and special trains running from Peshawar to Bombay, and a thousand and one other expenses incurred for the benefit of members of these heaven-born services; but, so far as the poor people are concerned, the plea is put forward that it is, after all, a commercial department. My submission is that it is not merely a commercial department, but it is also a department of public utility: it is not merely a business proposition. What I say is that this postcard has become an article of primary and elementary necessity, and you cannot ignore it on the ground that it is merely a commercial department. It is a public utility, and you cannot deny the advantage of this to the poor people.

Sir, when this rate was increased, it was clearly stated that it was an emergency measure. Sir, while the fat salaries have been restored, while the surcharge on income-tax goes away, this increase in the postcard rate remains, and that is totally unjustified. Supposing there is a war, and money is required for the war. Well, at once the Finance Member will prepare his budget in such a way that he may be able to render financial assistance to the Government for the purposes of the war, because, in that case, it becomes very important indeed. But why is it not equally important in the case of these poor people who every year are expecting their reduction in the postcard rate? Is it because they cannot fight with you that you simply ignore their protestations? Is it because they cannot turn you out that you defy them? Sir, is there any country having such a low average income in which you can impose such a rate on the postcard? I know that so far as technicalities are concerned, so far as figures are concerned, you might be able to collect certain figures and say that our position is not tenable, but I say the main question is whether the poor people are in a position to pay these charges. Supposing a man getting only six pies a day wants to write a postcard. I have known of many *chamars* and others whose relations are in Karachi and Lahore, and they cannot write a letter even to their husbands and their brothers, and the only question that these poor people always ask is—what about the postcard? Have you succeeded in reducing the price of the postcard? And the only answer is—no. Therefore, our case is quite unanswerable. You may not mean to reduce it, because other persons are to be paid high salaries. I know, in the Postal Department, there is far less of corruption, and it is the best Department of the Government, there is no doubt (Hear, hear), but still there are high salaries in other Departments of the Government; Government ought first to reduce their extravagant scale of expenditure, thus relieving the poor people. You simply go on saying, "it is a commercial concern"; that is the excuse you are always making. My position is that, so far as this amendment is concerned, the Honourable Member for Industries and Labour, who is leaving this country, should accept it this year after having previously given us an assurance that he will try to do so. I think this is a thing which every Indian, every poor man, expects of him, and the Government should do nothing to embitter the poor people in that way. I, therefore, move.

Mr. President (The Honourable Sir Abdur Rahim): Amendment moved:

"That in Schedule I to the Bill, in the proposed First Schedule to the Indian Post Office Act, 1898, for the entries under the head 'Postcards' the following be substituted:

'Single—Six pies.

Reply—One anna.'

The Honourable Sir Frank Noyce (Member for Industries and Labour): Sir, judging from the attendance in the House at this moment, its interest in this question does not seem to be very deep. It is hardly surprising, Sir, that that should be the case, for Mr. Sham Lal has advanced no arguments which we did not hear last year or the year before, and I fear that we, on this side, are in no better position. None the less, I would, if I may with your permission, follow the usual practice—I think it has its advantages even though not many Members of the House are present at the moment to listen to me—of making the usual statement of the financial position of the Posts and Telegraphs Department. I realise that this is not altogether a suitable opportunity, but it seems to me to be the only one that the Member in charge of the Department gets to present that position to this House, which often, I think, takes a considerable interest in it, knowing that the budget of the Department amounts to Rs. 11 crores—which is no small sum. And I think that, if the House is good enough to listen to the statement that I am about to make, it will be in a better position to discuss, not only the amendment which is immediately before it, but those that will follow.

Sir, in April, 1935, in the longest speech I have made in this House and the longest I am ever likely to make here or anywhere else, I presented to this Assembly in its first Session the financial history of the Department from 1925-26, when its accounts were for the first time placed on a commercial basis, up to the end of 1934-35. Last year, I took up the story from the point at which I left it the previous year, and I propose to do the same this year. I shall deal with the actual results of the working of the Department in 1935-36, the Budget and the Revised Estimates for 1936-37, and the Budget Estimates for 1937-38. In our Budget Estimates for 1935-36, we anticipated a revenue of Rs. 1,133 lakhs and an expenditure of Rs. 1,146 lakhs. We thus budgeted for a deficit of Rs. 13 lakhs. When the Revised Estimates were framed, there appeared to be indications of an improvement in trade conditions and we raised our estimates of revenue to Rs. 1,150 lakhs, at the same time lowering those of expenditure to Rs. 1,144 lakhs, in spite of an increase of Rs. 26 lakhs in the pension bill of the Department—an increase the reasons for which I explained last year in some detail. The hopes we had based on the revival of trade were not, unfortunately, entirely fulfilled. The actual revenue for the year 1935-36, was Rs. 1,147-57 lakhs and we were thus out in our estimates by rather less than Rs. 2½ lakhs. The House will, I think, admit that this, for a total budget of Rs. 11½ crores, was remarkably accurate budgeting. The actual expenditure for the year was Rs. 1,147-10 lakhs some 3-10 lakhs more than the revised estimates. The net result was a small profit of half a lakh on the year's working. The variations between the estimates of receipts and expenditure and the final results are not, I think, of sufficient importance to justify my taking up the time of the House by explaining them in detail. Those Members who are sufficiently interested in the matter to wish to pursue it further will find the reasons for them set forth at length in the Director General's Annual Report for 1935-36, a copy of which has, I hope, reached every Member of this House.

I told the House last year that 1934-35 had closed with a surplus of Rs. 88 lakhs. It has now heard that the surplus for 1935-36, was only half a lakh. Honourable Members may, therefore, think that 1935-36 was a much worse year for the Department than its predecessor. That is very

far from being the case. The surplus of Rs. 38 lakhs for 1934-35 might, I think, not inaccurately be described as of a somewhat illusory character. The salaries of the staff continued throughout that year to be subject to the temporary emergency deduction of five per cent. and the full contribution to the depreciation fund was not made. Had it not been for these two factors, there would have been a loss of Rs. 19 lakhs. In 1935-36, the five per cent. emergency deduction operated only for one month, just sufficiently long to prevent the small surplus I have mentioned from being converted into a loss of about Rs. 2 lakhs. If like were compared with like, there was an improvement of Rs. 17 lakhs in the working of the Department in 1935-36.

I now come to the Budget Estimates for 1936-37. We anticipated that with revenue at Rs. 1,174 lakhs and expenditure at Rs. 1,173 lakhs we should just about pay our way. But in considering the revenue figure, account has to be taken of the increase in the unit of weight for the anna letter which was estimated to cost Rs. 13 lakhs, and the enhanced provision of Rs. 2 lakhs for the extension of postal facilities. Our revised estimate of revenue is 1,168 lakhs: the apparent drop of Rs. 6 lakhs is more than counterbalanced by the Rs. 9 lakhs which have to be paid to certain Provincial Governments as their share of the sale proceeds of unified revenue stamps for the years 1930-31 to 1933-34, that is, for the period prior to the introduction of the separate revenue stamp. The revised estimates of revenue therefore differ by only three lakhs from the original ones and represent an increase of Rs. 29 lakhs over the actual revenue for 1935-36. It will be apparent from the figures I have given that the elections have brought us in very much what we expected but unfortunately for us no more than we expected.

Our budget on the expenditure side was for a sum of Rs. 1,173 lakhs which in the Revised Estimates is reduced to Rs. 1,160 lakhs. The reduction in expenditure is partly due to our continued search for economies and partly due to the fact that certain claims from other Departments have not yet materialised. The net result for the current year is, therefore, an anticipated surplus of Rs. 8 lakhs.

The last set of budget figures I have to place before the House relates to those for 1937-38. The House does not need to be reminded of the important new feature which has entered into these—the separation from India of Burma and Aden with effect from April, 1st. The estimates, therefore, refer to India only. The figures have already been stated by my Honourable Colleague, the Finance Member, in his Budget speech in which he also explained the two changes we propose to make in our postal rates, of which I shall have more to say later and which do not affect the budget figures except to a very small extent as they practically balance each other. Our estimate of revenue is Rs. 1,116 lakhs. After allowance is made for the special refund of Rs. 9 lakhs which I have mentioned just now, this represents an increase of roughly Rs. 11 lakhs over the Revised Estimates of revenue for the current year. We hope to get this increase as a result of the normal expansion of traffic and of improved trade conditions. I need hardly say that we do not anticipate that our revenue next year will be affected by elections.

We have budgeted for expenditure of Rs. 1,112 lakhs; and are thus left with a small surplus of Rs. 4 lakhs. The expenditure figures represent an increase of roughly Rs. 86 lakhs over the expenditure of India alone excluding Burma and Aden anticipated in the Revised Estimates for

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1936-37. The main items responsible for this increased expenditure are Rs. 12 lakhs for the increments, of which we have not yet seen the last, Rs. 8 lakhs for the improvement of external and internal air mail services, an additional Rs. 5 lakhs over and above the current year's provision for extended postal facilities in rural and urban areas, Rs. 3 lakhs for increase of staff necessitated by the expanding activities of the Department and Rs. 3½ lakhs for increase in the pensions bill.

One more word regarding the financial results of the separation of Burma and Aden. As Honourable Members will have gathered from my Honourable Colleague's budget speech, if our Budget Estimates for 1937-38 had included Burma and Aden, they would have shown a loss of Rs. 9 lakhs. They actually show a profit of Rs. 4 lakhs and it is this difference of Rs. 13 lakhs which has enabled us to provide for the various facilities and improvements included in the budget such as the extension of postal facilities in rural areas, improved air services, internal and external, additional staff required for new telephone exchanges, wireless stations and trunk lines and increased haulage charges paid to Railways for the more frequent transport of mails by trains. It has also to be remembered that the effect of the sanctions issued during the current year for extension of postal facilities will only be felt in its full force next year.

The House is, I know, always interested in the position of the different branches of the Department though, as I have frequently reminded it and as I have little doubt that my Honourable friend behind me will have an occasion again to remind it during the forthcoming debate, the Department is a commercial department and its working has therefore to be considered as a whole. I will review the position very briefly.

In 1935-36, the revenue of the postal branch of the Department was Rs. 791 lakhs and the expenditure Rs. 760 lakhs, leaving a profit of Rs. 22 lakhs. Our estimate for the current year is revenue Rs. 807 lakhs, expenditure Rs. 780 lakhs, balance Rs. 27 lakhs. The figures for next year are revenue Rs. 782 lakhs, expenditure Rs. 759 lakhs, leaving an estimated profit of Rs. 23 lakhs. I must again remind the House that the revenue and expenditure figures for 1937-38 relate to India alone and are not therefore strictly comparable with the figures for the previous year which include Burma and Aden.

The telegraph branch does not, unfortunately, present such a pleasant picture. In 1935-36, there was a deficit of Rs. 33 lakhs, revenue being Rs. 268 lakhs, and expenditure Rs. 301 lakhs. In the Revised Estimates for this year the loss is slightly higher—Rs. 35 lakhs, revenue being estimated at Rs. 267 lakhs and expenditure at Rs. 302 lakhs. There has been no appreciable recovery in telegraph traffic and the reduced rates introduced in 1934 have done no more than keep the revenue this year at practically the same figure as in the previous year. For 1937-38, we expect a revenue of Rs. 240 lakhs and an expenditure of Rs. 276 lakhs. There will thus be a deficit of Rs. 36 lakhs. Telegraphs and telephones, as I have explained on several occasions in this House, are very closely connected and it is fortunate that it should be so for we are able to make up to some extent on the telephone swings what we lose on the telegraph roundabouts.

In 1935-36, telephone revenue was Rs. 81 lakhs, expenditure Rs. 66 lakhs, profit Rs. 15 lakhs. In our revised estimates for the current year, we anticipate a revenue of Rs. 84 lakhs and an expenditure of Rs. 66 lakhs, a profit of 18 lakhs. For 1937-38, our estimates are, revenue Rs. 85 lakhs, expenditure Rs. 66 lakhs, a profit of Rs. 19 lakhs. As the House will see the profit from telephones is going up steadily every year. I have no doubt the year after next, we shall do much better than next year. In view of the loss of revenue under this head due to the separation of Burma and Aden, the position with regard to telephone revenue is distinctly satisfactory. The revenue from trunk lines which showed signs of deterioration in the middle of last year appears to be making a good recovery since November, but the number of telephone subscribers has not increased to the extent we hoped it would as the result of the extensive reduction in the rates of annual subscription which were made two years ago. The profits on the telephone branch cover at present more than 50 per cent. of the losses on the telegraph branch and if there is one thing that can be said with some certainty in matters of this kind, it is that this proportion will go on increasing.

There remains the small radio branch of the Department on which we lost Rs. 3 lakhs in 1935-36, revenue being Rs. 9 lakhs and expenditure Rs. 12 lakhs. Both in our Revised Estimates for this year and our estimates for next, we have placed the figure of revenue at Rs. 9 lakhs and of expenditure at Rs. 11 lakhs, the loss in both cases being Rs. 2 lakhs.

I have, I hope, given the House a statement of the financial position of the Department which it has been able to follow. At this point in my speech in past years, I have usually inflicted on the House a dissertation on depreciation fund, pensionary charges and the like. The House will be relieved to hear that there is nothing new to say about such matters this year, but it may perhaps not be quite so glad to hear that I propose to take advantage of that fact to make what is somewhat of a digression and to render to it a very brief account of my stewardship of the Department for the last five years. I do that, Sir, in no spirit of self-glorification. If I possessed such a spirit it would, I know, be severely chastened in the course of the discussion tomorrow. But it is, I think, relevant to the consideration of the amendments before the House to remember that at the end of the financial year 1931-32, when I took charge of the Department it had, as the result of the economic blizzard shown a loss for that year of Rs. 94 lakhs and its accumulated loss on which interest surcharge had to be paid in the accounts for the year 1932-33 had reached Rs. 125 lakhs. Stern retrenchment, emergent deductions from pay and the revision of certain postal rates reduced the loss for the year 1932-33 to Rs. 42 lakhs which increased to Rs. 52 lakhs in 1933-34 as the result of the restoration of half the cut in pay. At the end of 1933-34, the accumulated loss on the working of the Department had reached the colossal figure of Rs. 162 lakhs and the Department was paying nearly Rs. 8½ lakhs as interest surcharge on this amount. In 1935-36, the tide began to turn. Small changes in letter postage rates and in telegraph rates and—much more important—the limitation of the contribution to the depreciation fund to actual expenditure on renewals and replacements resulted in a profit of Rs. 38 lakhs on the somewhat illusory character of which I have already commented. This combined with the acceptance of certain recommendations of the Postal Enquiry Committee, of which my Honourable friend, Sir Cowasji Jehangir, was the very able Chairman, reduced the accumulated loss by the end of 1934-35 to Rs. 71 lakhs. I

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have already given to the House the figures for the subsequent years. I would only repeat once more that the surpluses we anticipate for this year and the next are genuine ones and would add that at the end of this year the accumulated loss of the Department on which interest charges have to be paid will be no more than Rs. 7 lakhs. To sum up, since 1931-32, a loss of Rs. 94 lakhs has, by rigid economies helped by the revival of trade and by strenuous efforts to stop leakages of revenue, been converted to a surplus of Rs. 8 lakhs, the accumulated loss on the working of the Department has been reduced to Rs. 7 lakhs, a substantial depreciation fund of Rs. 3 crores representing nearly 13 per cent. of the capital liability of the Department has been built up, the balance of stores in hand exclusive of mobilisation stores which at one time was over a crore of rupees has been reduced to Rs. 31 lakhs, which is the amount considered necessary to carry out works with expedition, and most of the idle stores have either been utilised or disposed of. Outstanding questions relating to the depreciation fund and stores accounts have thus been settled and the Department has taken over the payment of its own pensions.

The House does not need to be reminded that in conditions such as those I have described it has not been possible to do anything very substantial in reducing rates. The letter postage rate has been put on a rational and logical basis with a reasonable first unit of weight. A small concession has been made in regard to the registered newspaper rate by increasing the first unit of weight from eight to ten tolas, and next year we propose to give a concession on the book packet rate. Telegraph charges have been reduced from 13 annas for the first 12 words to nine annas for the first eight words. The telephone charges have been appreciably reduced both for trunk calls as well as for regular subscribers and the overseas telephone rates have been materially reduced.

I now turn to progress in a matter which some Honourable Members on the opposite Benches have almost at heart as they have the half anna post card—the extension of postal facilities, more especially in rural areas. Five years ago there were 24,000 permanent post offices, 19,000 of which were in rural areas, and 39 experimental ones. Retrenchment meant that a number of post offices working at a loss had to be closed down. The lowest figure reached was in 1935 when the total number of permanent post offices was 23,622 of which 18,743 were in rural areas. There were also 85 experimental offices. We are now, I am glad to say, back to the old figures and indeed somewhat beyond them as the number of permanent post offices in existence on December 31st last was 24,022 of which 19,544 were in rural areas. There were also 420 experimental offices against the 39 five years ago. In the matter of delivery staff we have not yet completely made up lost ground but taking postmen and extra-departmental agents together we are only about 600 below the 1932 figures and if the provision of five lakhs made for the extension of postal facilities in this year's budget is accepted, I have no doubt that the deficiency will be more than made up by the end of the year.

There are other amenities the provision of which during the period under review deserves a passing mention. Of these the most important has been the introduction of air mail services between Karachi and Rangoon, Karachi and Madras, Karachi and Lahore and Bombay and Trivendrum. The air mail surcharges have been progressively reduced and participation in the Empire Air Mail scheme will mean their complete

abolition so far as Empire countries are concerned. On the foreign telegraph and telephone side, direct wireless communication by telegraph was opened with Japan in January, 1933, and a trunk telephone service was established with Ceylon in March, 1935. A similar service with Burma was opened in December, 1936. We have also introduced a new means for the remittance of small sums of money in the form of the Indian Postal Order which seems to be very popular and the number issued is going up steadily.

No review of progress during the last five years, however brief, should omit reference to the work of the Telegraph Establishment Committee of 1932-33 which was presided over by Mr. S. P. Varma, who is shortly leaving the department after eleven years of close and very valuable connection with it in various capacities. Another important committee has been the Postal Inquiry Committee of 1934-35. There have also been special investigations by officers of the Engineering and Accounts branches into budget procedure, the working of the telegraph engineering divisions and into stores accounts and telephone revenue accounts. The recommendations of the various committees have been of great help to us in our quest for efficiency without increased expenditure.

Before I endeavour to establish the relevancy of what Honourable Members may have thought—not entirely without justification—was merely a swan song, I should like to comment on the two small changes proposed in our rates in the Bill now before the House. The alteration in the book packet rate does not, I imagine, need any justification. It has been pressed upon us by business interests who hold that the present rate is a serious bar to effective advertisement. We anticipate that the concession will cost us about Rs. 8 lakhs, but we hope to make this up by the small change we are proposing in the parcel rates. The House will undoubtedly require some justification for that change. It lies in the fact that the present rates involve a serious anomaly. Under the existing regulations, there is no prohibition against letters or other communications being sent by parcel post. The only prohibition there is that in which my Honourable friend, Mr. Sri Prakasa, takes such a deep interest, the prohibition of the sending of more than one communication in a parcel or the sending of a communication addressed to a person other than the addressee of the parcel. The result is that, as soon as a letter weighs more than three tolas, it costs less to send it as an unregistered parcel paying two annas than as a letter paying $2\frac{1}{2}$ annas. I would point out that the parcel mail was never intended for the dispatch of communications. The concession of enclosing one communication was given in order to enable the recipient of the parcel to discover the name of the sender, to check the contents and possibly to find out the object with which the parcel was sent. I have not been able to discover why the initial parcel rate which was fixed when the initial rate for letters was half an anna was ever fixed at its present low figure, still less why it has remained unscathed when all other postal rates have increased. There is no doubt that the present rate is diverting letter traffic to an undesirable extent to the parcel post and it is to stop that diversion that we propose that the initial rates for parcels should be fixed at four annas, at the same time keeping the weight which can be sent for four annas at forty tolas. A comparison with the parcel rates in other countries will show that, even after the change, our initial rate remains a liberal one. In England the initial charge for parcels is 6d. In South Africa and Canada as well as in a large number of countries in Europe and elsewhere, including the United States of America,

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the sending of a communication by parcel post is entirely prohibited. In the United States of America no article weighing less than 8 ounces, that is 20 tolas, can be sent by parcel post at all. It must either go as a letter or as a book packet if it satisfies the necessary conditions. In Australia, Canada, Germany and the United States, the parcel rates vary according to distances, as they did in India till 1871, since when we have introduced one uniform rate for the length and breadth of the country. I hardly think that Mr. Santhanam's view that the modification in the rate will affect the poor man in the villages is correct. He neither sends nor receives parcels. I wish he did. That it will affect the business community to some extent is, of course, obvious, but they have the consolation of the lower book packet rate. The alternative to the revision of the parcel would have been the complete prohibition of sending of communications by parcel post as in the countries I have mentioned. I cannot but believe that those affected by the change would prefer the course we have adopted.

And now, Sir, I come to the amendment immediately before the House and I trust that Honourable Members will now see the relevancy of my rather lengthy review of progress during the last five years. My main object in inflicting that upon the House was to show the long and difficult steps by which the department has attained its present position of financial stability. And here I should like to pay what I am sure the House will agree is a well merited tribute to the work of that able administrator, eminent publicity agent and pleasant colleague, the present Director General. (Applause.) Mr. Bewoor would, I am sure, be the first to admit his obligations to the devoted labours of his predecessor Sir Thomas Ryan, and also to the loyal service of his very numerous staff down to those very useful members of society, the village postmen and the mail runners. (Applause.) There is one member of that staff who does not appear very much in the limelight to whom I should like specially to refer. That is Mr. Pursell, the Chief Engineer of the Department. He has played no small part in bringing about the transformation of the telephone map of India. I hope Members of the House have seen that map in the columns of the press or in the Director General's annual report, and will have realised from it the immense advance which has been made in the extension of telephone communications during the last few years.

As I have said, Sir, the department has at last accomplished the tedious and difficult ascent of the Hill Difficulty. What my Honourable friends opposite wish to do is to inflict upon it the punishment inflicted by the gods of old on Sisyphus who rolled a huge stone to the top of a hill only to have it sent crashing to the bottom again. For that would be the result of accepting this amendment. We estimate that the reduction in the postcard rate would cost us Rs. 62½ lakhs on the assumption that the number of postcards sent in India in 1937-38 will be 400 millions against 410 millions in 1935-36 including Burma. Even if there is an increase of 10 per cent. in the traffic, the loss would still be Rs. 50 lakhs.

My Honourable friend, Mr. Satyamurti, whose kind references to my approaching retirement I greatly appreciated as I did those
5 P. M. which fell from some other Honourable Members at the commencement of their speeches on the general discussion of the budget, appealed to me to give this concession. The House will not need to be told.

how much I wish that it had been possible to do so. It would have been a very pleasant termination to my tenure of the charge of the Department of Posts and Telegraphs and also a very appropriate way of celebrating what Honourable Members may be interested to hear is the Centenary year of the Indian Postal Department which may be said to have come into existence in 1837 when Act XVII of that year conferred on Government the exclusive right to convey letters throughout the territories of the East India Company. It is not unusual on such occasions for commercial concerns to declare a special bonus dividend, but I would point out to the House that such dividends have to be declared from realised profits. If they are declared out of capital or by mortgaging the future, those who declare them will inevitably find themselves either in the Bankruptcy Court or the felon's cell or in both. Where is the money to come from? It cannot be urged this year, as it was last year, that it should be met from the balance in the general budget or from the grant for rural development. There is no surplus in the general budget and there is no grant for rural development; but even if there were, the objections which I urged last year to its utilisation for this purpose would still remain in all their force. So long as the Posts and Telegraphs Department remains a commercial department, which will certainly be as long as the present form of Government continues, it must itself meet the cost of any reductions in rates which are made. The figures I have given to the House conclusively show that it is not at present in a position to do so. It may be urged that it would be possible to find the money by further retrenchment. We have done all that is possible in that direction, and I would urge those Members of the House who advocate that course to look up past debates and examine the number of questions that they themselves have put regarding the effect of retrenchment on the staff of the department. My Honourable friend, Mr. Sham Lal, has suggested that it should be found by increasing the cost of the foreign mail. It already costs $2\frac{1}{2}$ annas to send a letter to the United Kingdom against the anna it costs to spend it within this country; and $3\frac{1}{2}$ annas to send it to foreign countries. I think, my Honourable friend, the Director General, will be able later on to give Mr. Sham Lal conclusive proof that there is no hope in that direction. It may also be urged and I have no doubt it will be urged—I think it has already been urged in the course of the general budget discussion—that our estimates of the recovery in traffic which would follow a reduction in rate are too low. All I can say about that is what I have said several times before, and that is they are the best that we can frame and that no reasonable estimate of the recovery in traffic would cover the very heavy immediate losses that a reduction in the postcard rate would entail. There can, in my view, be no doubt that such a reduction would convert our small surplus into a deficit which it would take years to make up and that the Posts and Telegraphs Department would once again be plunged into the morass of debt. My Honourable friend, Mr. Joshi, the other day thundered forth the assertion that it was an amazing thing that a commercial concern should meet a decrease in the sale of its wares by putting up their prices, and he asked whether there was any other country in the world where this had been done. The answer to that is simple. It has been done by the postal administrations of other countries which have an even more highly developed system than India, such as the United Kingdom and the United States, and it is also in effect what has been done by the tea and rubber interests. It can only be done of course where there are monopoly or quasi-monopoly conditions. It is in fact the only course

[Sir Frank Noyce.]

which is open to a concern like the Posts and Telegraphs Department which deals in millions of units. No feasible reduction in the postcard rate would lead to such an increase in demand as to cover the loss on each individual unit. And that brings me to another point which I have made many times before but which arises again out of what Mr. Joshi said. If the loss involved in the reduction of the postcard rate is to be met by getting into debt—and that is the only way in which it can be met—why stop with the postcard? Why not spend the Rs. 50 lakhs a year that Mr. Joshi urges that we should spend on the development of the rural post offices instead of the Rs. 5 lakhs that we are providing for this purpose? The position can be stated very briefly. Some time ago, an Honourable Member on the Opposition Benches—I cannot remember who it was, but it might well have been Mr. Satyamurti, for it is exactly the sort of thing that he does tell us—said that we on these benches were in the position of the occupiers of a house who were about to hand it over to new tenants and that it was our bounden duty to hand it over wind and weather proof. That is exactly what I propose to do. I do not propose to hand over the Posts and Telegraphs Department to the incoming tenants with crumbling walls, with a leaky roof or with broken windows. I deeply regret, Sir, that I am unable to accept this amendment. I earnestly hope that it will not be long before the financial condition of the department, coupled, I should add, with the general financial condition of the country—for the two are inseparably connected—will enable this concession on which my Honourable friends opposite set such store to be brought into operation without any detriment to the financial stability of the Department. If, as I hope, I live to see that day from a distant country, I can assure the House that I shall not be afflicted by any of the regrets which must have assailed Moses when from the heights of Pisgah he saw the promised land, but was not allowed to enter therein. Sir, I oppose the amendment.

The Assembly then adjourned till Eleven of the Clock on Friday, the 19th March, 1937.