

Thursday, 26th April, 1934

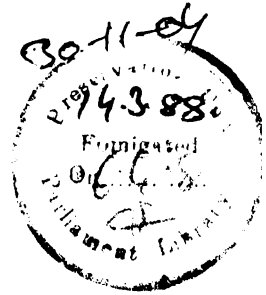
THE  
COUNCIL OF STATE DEBATES

VOLUME I, 1934

*(8th February to 27th April, 1934)*

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SEVENTH SESSION  
OF THE  
THIRD COUNCIL OF STATE, 1934



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# COUNCIL OF STATE.

Thursday, 26th April, 1934.

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

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## QUESTION AND ANSWER.

GRANT OF EXTENSIONS OF SERVICE TO RAILWAY EMPLOYEES WHO PRODUCE EVIDENCE SHOWING THAT THEIR AGES ARE LESS THAN THAT SHOWN IN THEIR SERVICE SHEETS.

155. THE HONOURABLE MR. HOSSAIN IMAM (on behalf of the Honourable Mr. Mahmood Suhrawardy) : (a) Will Government be pleased to state whether there are any precedents in which they have changed the official record of the age of railway employees on the production of substantial authoritative proof ?

(b) If the reply to part (a) be in the affirmative, what kind of evidence has been accepted for such a change to allow extension in the period of service ?

(c) Are there any such cases in which Government have allowed extension to the railway employees on the North Western Railway ? If so, on what grounds ?

THE HONOURABLE SIR GUTHRIE RUSSELL : (a) Yes.

(b) No specific evidence has been prescribed but it must be such as will satisfy the sanctioning authority, e.g., a birth certificate.

(c) Yes, if an employee can prove that he is younger than shown in his service sheet, he automatically gets an extension of service.

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## CONGRATULATIONS TO THE HONOURABLE SIR HARRY HAIG ON HIS APPOINTMENT AS GOVERNOR OF THE UNITED PROVINCES.

THE HONOURABLE THE PRESIDENT : Honourable Members, I feel sure you must have all read with great pleasure the announcement of the appointment of the Honourable Sir Harry Haig as Governor of the United Provinces of Agra and Oudh. Sir Harry Haig was for many years Home Secretary and would attend this Council and in that capacity he gave us considerable satisfaction during this term of office. His appointment will be received all over the country and particularly in the United Provinces and by both the Houses of the Indian Legislature with great satisfaction. I feel certain it is your wish that I should send him a telegram of congratulation from this Council. (Applause.)

MCS

## DEATH OF SIR SANKARAN NAIR.

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN** (Leader of the House): Sir, it is my sad duty to mention this morning the great loss India has suffered in the death of one of India's greatest leaders, Sir Sankaran Nair. He was one of the early Indian stalwarts. Educated in law, having adopted law as his profession, he rose to the highest position that a member of the legal profession can occupy in his province as Advocate General. As a lawyer he not only practised law but also took an interest in legal literature, started legal journals, wrote in them, edited some. When he had had enough of success in his profession, he moved from the profession of law to the bench. He was a permanent Judge of the Madras High Court for a number of years. Having completed his term there he served on the University for a number of years and was a member of the Provincial Legislature for some years. In every branch of law, whether as a lawyer or as a judge or as a legislator, he distinguished himself. However, it was not law that succeeded in absorbing all his energies. He took a keen interest in the politics of his country and as a very successful politician of the first rank in India, he rose to be the President of the Indian National Congress at Amraoti. In those days those who took an interest in politics also took a keen interest in social advancement and industrial progress. He was President of the Madras Social Conference as well as of the Industrial Exhibition. He brought this very successful provincial career to a close, and rose to all-India eminence. He was appointed a Member of the Executive Council of the Governor General in India. For four years he was Education Member. If I am not mistaken I believe he was the first Indian Education Member in the Government of India, from 1915 to 1919. Then he was for two years a Member of the Secretary of State's Council in London, 1920-21. Afterwards he came to the Council of State as an elected Member from his province. It was then that he was elected by this Council to represent it on the Indian Committee which was to serve with the Simon Commission to hammer out the report. He was later elected Chairman of that Committee.

In the whole of his career, whether as a lawyer, a judge, a legislator, a politician, or a social reformer, there were one or two things which may be said to be the characteristic features of the man. One was independence of thought. And the second was his belief in his own judgment. He stood out for making up his own mind as to what was right and what was wrong and having made up his mind he had the strength of character to stick to it and there were in his life very few people who could persuade him to leave that line. No amount of authority or pressure succeeded in dissuading him from the course that he felt called upon to take. This distinguishing feature of the man runs throughout his career—independence of thought and judgment. He was an ex-President of the Indian National Congress but when he felt that the Indian National Congress was going wrong, having been an ex-President did not prevent his condemning the polity of the Congress at the time in very, very strong language. He was ready to come to the Executive Council of the Governor General and do his best but when he felt that he ought not to remain a Member any longer nothing could prevent his resigning.

What I am going to say illustrates the independent character of the man. He was ready to criticize Mr. Gandhi as an ordinary mortal like himself. At

the same time he was ready to criticize violently Sir Michael O'Dwyer, whose administration of 1919 had created a great deal of trouble. Here was a man who differed with both and found no difficulty in criticizing both. India needs men of such independent character and thought now more than ever. Our country in the past has been one following the lead of authority perhaps too much. As a reaction, perhaps the tendency now has been to follow the opposite path. But even in that reaction, one needs the strength of character which is so necessary to keep public life at the high level that it ought to possess if the country is to make progress. As I have said, Sir, men of such character are few and at a such a critical juncture as the present, the loss of any of them cannot but be considered as a national misfortune. I am sure, Sir, this House of which he was such a distinguished member for a number of years would wish you to convey to his family the appreciation and admiration this House had for him and also convey to them the condolence of this House at such a great loss which this House considers as a national calamity.

THE HONOURABLE SIR K. P. RAMUNNI MENON (Madras : Nominated Non-Official) : Sir, I never had the privilege of sitting in this Honourable House with Sir Sankaran Nair, but coming as I do from Madras, and belonging, if I may be permitted to say so, to his own community, and as one who enjoyed the privilege of his friendship from one's boyhood, I would like to join in the sentiments of appreciation which have been expressed in such felicitous terms by the Honourable the Leader of the House. I recall with pleasure that two years ago the University of Madras conferred upon Sir Sankaran Nair the Honorary Degree of Doctor of Laws in recognition of his attainments and public services, an honour which was as well deserved as it was widely appreciated. Sir Sankaran Nair was an outstanding personality of his time. On the large circle of his friends and on the larger circle of public men in this country he has left an ineffaceable impress. A characteristic which impartial observers always admired in him was that he never courted popularity. On the contrary, he never shrank from denouncing the popular creeds and policies of the day whenever he felt that they were detrimental to the country's interests. He was a very outspoken man, and a man of remarkable breadth of outlook, independence and fearlessness. I venture to say that public life in this country has suffered by his passing a very great loss. I am thankful to you, Sir, for allowing me to pay this homage to the memory of a friend and elder statesman.

THE HONOURABLE SIR DAVID DEVADOSS (Nominated : Indian Christians) : Sir, as one who had known Sir Sankaran Nair for many years, let me add my humble tribute of respect to his memory. Sir, as a student in the Presidency College, I remember his coming into the Senate as an outstanding figure. Though he was very young he was nominated to the Senate of the Madras University and afterwards-made a Member of the Legislative Council of Madras. There he distinguished himself by moving for the amendment of the marriage law of his own province, and the result of his labours was the passing of the Malabar Marriage Act. From that time onwards he was doing as much public good as a single man could do. All his actions were characterized by thorough independence. As observed by Sir Ramunni Menon, he did not court popularity. He did not care for public opinion. If he thought a thing was right he said so and if he thought a thing was wrong, he also said so. Sir,

[Sir David Devadoss.]

as a lawyer he early distinguished himself and it was always a pleasure to sit by him and listen to him arguing a case. His sturdy independence and his way of putting his arguments before the Court always commanded the respect of the bench. Sir, if I may be permitted to give a personal allusion, I remember the occasion when he as Public Prosecutor and Government Pleader of the Madras Government conducted the well-known Sivakasi riots case in the year 1899 and as a young junior, I had the privilege of opposing him with a number of other lawyers. I know the way in which he conducted that case, in which there were at least 120 or 130 accused—it was known almost as a rebellion—a fight between two big communities, known as the Sivakasi riots—he conducted his case in such a masterly manner that there was no loophole left in the prosecution. Sir, he was the first Indian Vakil, Government Pleader and Public Prosecutor. In Madras, in those days, the Government Pleaders and the Advocate Generalship were the preserve of the European barristers. Sir Sankaran Nair broke through the preserve and succeeded in obtaining both the offices for vakils. In 1907 he was confirmed as the first Indian Advocate General of Madras, thanks to the interest taken by Lord Morley. After he was raised to the bench it was always a pleasure to appear before him, for he was unswayed by any kind of motive. He always looked to the justice of the case and his decisions were right. Whether the decisions were against the Government or in favour of them, or in favour of one party or against it, they were always thorough and satisfactory, based upon the merits of the case. Sir, afterwards, he was raised to the Council of the Governor General. People here probably know more about his work there than a Madrasi. His thorough independence was such that all the other Members who took a different view from him were really afraid of the masterly way in which he put his case, and it would probably be telling a secret known only to a few that in one night on one occasion he wrote a long minute which practically threw the other Members into a sort of frenzy. Sir, after he resigned his seat in the Viceroy's Council he was made a Member of the Secretary of State's Council. There he did good work and after his retirement from that he did much public work. Sir, it is a matter of great sorrow to us all that he should be snatched away now when his services are most required. He was taking a very deep interest in all that was going on, though on account of ill-health he had to resign his seat in this Council. His interest was very deep and his whole time was spent in studying various questions. He not only studied them but he wrote articles which were always appreciated by editors of monthlies like the *Nineteenth Century* and other well-known journals. His death is a great loss to us all. As observed by the Leader of the House, this is not a time in which we could afford to lose a man of outstanding ability, knowledge and culture.

With these words, Sir, I wish to pay my respect to the memory of the late Sir Sankaran Nair.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan): Sir, on behalf of myself and the Progressive Party, I wish to associate ourselves with all the remarks that have fallen from the Leader of the House. Sir Sankaran Nair was a man of outstanding personality and especially appreciated by the younger generation for the extraordinary proof of his strength

of character which he showed by resigning from the Government of India. Sir Sankaran Nair enjoyed at once the confidence of the Government and of the public. He was a man who rose to the highest position in the Government of India and also to the highest post which the Indian nation could elect him to. We, Sir, had an example of his strength of character two years ago when he moved a Resolution in this House about provincial autonomy. Although the general opinion was against him but because he believed in it, he did not mind the consequences and moved the Resolution in spite of all the opposition that could be marshalled against him. I did not have the privilege of working with him when he first came to this Council, but in his last two years when he was a Member of this House we were colleagues and his was always a helpful hand to non-officials. The Party which he formed and to which the Honourable the Leader of my Party also belonged was in many ways like our own Party and therefore we had, and will always have, a specially soft corner in our hearts for him.

Sir, I associate myself with all that has been said by previous speakers.

THE HONOURABLE SAIYID RAZA ALI (United Provinces : Nominated Non-Official) : Sir, the death of Sir Sankaran Nair, whom I had the privilege of knowing since 1916, is a great loss to the country. As was bound to happen in the case of a man of his calibre, he has died in the fullness of years and honours. The traits of his character which impressed every man who came in contact with him have been alluded to by the Leader of the House as also by those who have followed him. When I first met Sir Sankaran Nair a few months after he had taken over the portfolio of Education Member in the Governor General's Council I was greatly impressed by two things. One was that he took a very keen interest in politically-minded young men, whose number at that time was not very large. Whenever a young man went to him he always helped him with advice and Sir Sankaran Nair's advice had an educative effect. The second thing was his great independence of character and his outspokenness, which did not always make his task a bed of roses. An illustration of the latter which occurs to me was his Presidentship of the Central Committee that was appointed to work with the Simon Commission. I happened to be in England in 1929 and I know how whole-heartedly Sir Sankaran Nair devoted himself to the task of persuading his colleagues who at times suffered from divided counsels to come to a decision that would in the long run be helpful to the cause of constitutional progress in this country. The death of a man of the achievements of Sir Sankaran Nair would be a sad blow at any time, and it is much more so at the present time when the one thing that stands at a discount in this country is independence of thought. Sir Sankaran Nair as Education Member of the Governor General's Council and later as a Member of this Council had a large number of friends and his friendship did not know any creed or colour. He had friends in every stratum of society. He had friends among his own community, among the Brahmins, among Mussulmans, Christians and Parsis ; and all those who had the privilege of knowing him had a very high regard for his character, his outspokenness and independence of thought. Sir, it is in the fitness of things that reference has been made in this Council, and I hope you will be good enough to convey to the bereaved family the great sense of loss that in the opinion of this House the country has suffered in Sir Sankaran Nair's death.

**THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI** (Madras : Non-Muhammadan) : Sir, I beg to associate myself with all that has been said by the Leader of the House and other Members. I had the privilege of knowing Sir Sankaran Nair for a number of years and it is unnecessary for me to go into his great political career in India. But one thing I would refer to and that is his great interest in social reform work in our province. If there is any one who has done substantial work in that direction, I should say that it was Sir Sankaran Nair in those early years. Sir, long before Government thought of the question of the education of the depressed classes, in the years 1914 and 1915 I remember Sir Sankaran Nair, with a few of his friends, started an organization, known as the Depressed Classes Mission Society, of which he was President ; and by the keen interest which he evinced, he was able to open through that Association a number of schools for Adi Dravidas, a community which is a minority community in our province. He was an eye-opener both to the public and to the Government in that direction. He has done a great deal of work for the education of the depressed classes in our presidency. I need hardly say how as a Member of this Council he was an asset to it. When I met him two days before I left Madras in February, I never expected that the end was so near. India mourns his loss and the Council is feeling more in losing one of its ex-Members. I am sure you will convey, Sir, our condolences to his son Mr. Palat.

**THE HONOURABLE THE PRESIDENT** : I am in entire agreement with all the observations that have fallen from the Honourable the Leader of the House and from Honourable Members, and particularly from the Members from the Madras Presidency. I had known Sir Sankaran Nair for many years, and I had great respect for his ability, his straightforwardness, his frankness and his masterly talents of a versatile character. For many years I was associated with him in this Council, and though I had the misfortune to differ from him on some occasions, I always admired him for his straightforwardness, his sturdy independence and fearless ability with which he fought the case for India. He had a brilliant University career and he was a great lawyer, an erudite judge and a most capable man. In the Executive Council of the Governor General, it is generally believed that he rendered useful service and on one important, vital, occasion when he had to differ from the Government of India, he presented his resignation as he felt he could not associate himself with a body of men with whom he fundamentally differed. His death will be received with great sorrow all over the country and I shall immediately telegraph the sympathies and condolence of this House to his bereaved family.

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#### STATEMENT LAID ON THE TABLE.

##### POLITICAL OUTRAGES IN INDIA FROM JANUARY, 1931 TO FEBRUARY, 1934.

**THE HONOURABLE MR. M. G. HALLETT** (Home Secretary) : Sir, I lay on the table the information promised in reply to question No. 94 asked by the Honourable Mr. Jagadish Chandra Banerjee on the 28th March, 1934.

(a), (b) and (e).—I lay a statement on the table giving the information in my possession.

(c), (d) and (f).—I have no complete information and regret I am unable to undertake to collect it.



Statement showing (a) the number of political outrages in India during 1931-33 and in Bengal up to February, 1934, with (b) the number of officials and others killed and injured.

(a)

## BENGAL.

Bengal.	1931.	1932.	1933.	January and February, 1934.	Total.
Murderous outrages ..	5	5	3	..	13
Attempts at outrages ..	6	26	3	2	37
Dacoities .. ..	23	31	20	2	76
Attempted dacoities ..	2	2	2	1	7
Robberies .. ..	18	19	9	..	46
Attempted robberies ..	5	6	3	..	14
Bomb throwing .. ..	7	3	..	..	10
Bomb explosions ..	..	2	3	..	5
Armed raids .. ..	..	1	..	..	1
Unclassified .. ..	..	1	..	..	..
Total for Bengal ..	66	96	43	5	210

## OTHER PROVINCES.

Province.	1931.	1932.	1933.	January and February.	Total.
Madras .. ..	..	..	6	..	6
Bombay .. ..	6	3	8	..	17
Bihar and Orissa ..	6	4	4	..	14
Assam .. ..	5	2	5	1	13
North-West Frontier Province.	6	..	..	..	6
Central Provinces ..	3	3	..	..	6
Burma .. ..	..	..	..	..	..
United Provinces ..	20	8	8	..	36
Punjab .. ..	9	2	9	..	20
Delhi .. ..	2	2	..	..	4
. Other Provinces Total ..	57	21	40	1	119

(b)

*Number of officials and others killed and injured in Bengal.*

Officials.	1931.	1932.	1933.	January and February, 1934.	Total.
Killed .. .. .	5	6	4	..	15
Injured .. .. .	13	10	4	1	28
<b>Others (including terrorists)</b>					
Killed .. .. .	4	11	6	2	23
Injured .. .. .	4	30	14	..	48
<b>Total .. .. .</b>	<b>26</b>	<b>57</b>	<b>28</b>	<b>3</b>	<b>114</b>

*Number of killed and injured in provinces except Bengal during 1931-33.*

Province.	Officials.		Others.		Total.
	Killed.	Injured.	Killed.	Injured.	
Madras .. .. .	..	1	2	..	3
Bombay .. .. .	..	2	..	..	2
Bihar and Orissa .. .. .	3	3	8	3	17
Assam .. .. .	..	..	2	4	6
North-West Frontier Province	..	..	..	1	1
Central Provinces .. .. .	1	1	..	..	2
Burma .. .. .	..	..	..	..	..
United Provinces .. .. .	..	12	5	16	33
Punjab .. .. .	1	2	4	3	10
Delhi .. .. .	..	1	..	4	5
<b>Other Provinces Total .. .. .</b>	<b>5</b>	<b>22</b>	<b>21</b>	<b>31</b>	<b>79</b>

## RESULT OF THE ELECTION OF SIX NON-OFFICIAL MEMBERS TO THE CENTRAL ADVISORY COUNCIL FOR RAILWAYS.

**THE HONOURABLE THE PRESIDENT :** I have to inform the Council that as a result of the election held on the 20th April, 1934, the following Members have been elected to the Central Advisory Council for Railways :

The Honourable Sir Homi Mehta.

The Honourable Mian Ali Baksh Muhammad Hussain.

The Honourable Rai Bahadur Lala Ram Saran Das.

The Honourable Raja Charanjit Singh.

The Honourable Diwan Bahadur G. Narayanaswami Chetti.

The Honourable Khan Bahadur Syed Abdul Hafeez.

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### TRADE DISPUTES (EXTENDING) BILL.

**THE HONOURABLE MR. D. G. MITCHELL** (Industries and Labour Secretary) : Sir, I rise to move :

“ That the Bill to extend the operation of the Trade Disputes Act, 1929, as passed by the Legislative Assembly, be taken into consideration.”

The Trade Disputes Act, 1929, was the result of nearly five years of discussion with Local Governments and private interests. As originally drafted, it was intended to be a permanent measure, but the Select Committee inserted sub-section (4) of section 1, which restricted its duration to five years. The Act was brought into force by Notification on the 7th of May, 1929, and will expire on the 7th of May next unless its duration is extended. The purpose of the Bill now before the House is to ensure that extension by the deletion of sub-section (4) of section 1.

Over a year ago the Government of India took up the question of the extension of the Act and the difficult questions connected with its amendment. Honourable Members will have seen the letter which my Department issued in June last and the mass of suggestions which it evoked. They may also have noticed that the great bulk of opinion is strongly in favour of making this measure permanent though with amendments. The suggestions for amendment have been partly considered by Government, but an Amending Bill has not been prepared for this session for two reasons. Firstly, the Department was already fully occupied with other very important labour legislation and had not time to give full consideration to the amendment of this Act. Secondly, there would have been little point in introducing a Bill now, as the business in another place was so congested that the Bill could not possibly have been taken into consideration there.

Hence, Government propose merely to delete the sub-section which limits the duration of the Act. Government will, in due course, formulate proposals for amending the Act and lay them before the Legislature ; but meanwhile in order to prevent the Act from expiring it is necessary to pass the present Bill into law before the 7th of May.

[Mr. D. G. Mitchell.]

That a case has been made out for the retention of such a measure there can be little doubt. Public opinion is in favour of its retention, and the fact that there are many influential demands for its improvement is an added reason for retaining it until it can be amended. It was of general public benefit during the disastrous dock disputes in Rangoon, when a Board of Conciliation worked out the terms of settlement; and again when a Court of Enquiry made a review of the steps taken in effecting retrenchment on the railways throughout India. It is true that there have been no prosecutions under the provisions relating to lightning strikes in public utility services, or under the provisions relating to illegal strikes; but it is impossible to estimate what the benefit to the public may have been of the existence of these provisions on the Statute-book.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muham-madan): Sir, the Bill before the House is such that we cannot gainsay the fact that it is required by the present condition of industrial development of India, but, Sir, there are certain points which require further elucidation and it is more with a view to get answers to my queries that I rise than to oppose the measure in its entirety. Sir, one thing which I wish to state is that I am interested neither as a capitalist in seeing labour down nor have I the privilege of being a labour leader who wants to have everything from the industry. Therefore, Sir, I can speak on this Bill in an unbiassed manner. Firstly, Sir, I regard that in times of falling prices, the wages do not follow the reduction and there is a likelihood of greater strife between capital and labour than in times of a rise in prices. It is to the advantage of the country as a whole that the man power should be mobilized to its full capacity and I have always opposed mechanization which turns out man power and demobilizes it. Sir, the Trade Disputes Act serves a useful purpose, but the opinions which the Government have circulated to us bring to light the defects of the present Act. The Local Governments and Trade Unions have all given their opinions on the measure. We expected that if the Government found itself unable to bring an amending Bill, the right course for them was to have an extending Bill. We have experience, Sir, of extending Bills in many instances. In this session too we have given extension to two Acts for short periods—one was the Cotton Textile Industry Protection (Amendment) Bill and the other was Steel and Wire Industries Protection (Extending) Bill. In the same way if the Government wish to assure us that they were really in earnest in bringing forward labour legislation, they ought to have extended it for, say, six months, or even a year. Then we would have been assured, Sir, that the Government would take up the matter as early as we desire. The fact that this measure has been on the Statute-book for five years or has been utilized on so few occasions shows great weakness in the framing of the Act. In this connection, Sir, I should like to remind the House that there is almost a consensus of opinion in demanding amendments, although there is no general agreement about the amendments which ought to be made.

THE HONOURABLE THE PRESIDENT: This Bill only seeks to make the measure permanent.

THE HONOURABLE MR. HOSSAIN IMAM: Sir, I wish to say that by bringing forward a measure which simply makes the Bill permanent this House has been deprived of the right of moving amendments to the measure itself.

This is a sort of back door by which the Government is coming forward to get the assent of this House to this measure. The straightforward measure would have been, Sir, to have either extended it for a short time (that is what I was pointing out) or to have brought an amending Bill which would have given an opportunity to this House to criticize it and suggest amendments to the Act. The Government has taken one part of the suggestions which are forwarded by the different Governments but has not taken the other part. In this connection, I should like to point out that if we make the measure permanent we have past experience to show that Government will be in no hurry to bring in an amending Bill. We know, Sir, as the Honourable Secretary has informed us, that they have many labour Bills waiting to be introduced. At the present moment we are face to face with the Bombay textile industry dispute. The non-existence of conciliatory officers as recommended by the Labour Commission may allow this strike to continue unchecked for a long period and in this connection, Sir, it is pertinent to say that improvements in Acts are not made simply to please people. They are made because the necessity arises. For five years the Government had this measure on the Statute-book and if they were unable to find out defects in these five years it is, I think, not very creditable to the vigilance of the Department. I hope, Sir, the Government did find them and in the letter to which the Honourable Member made reference some suggestions have been invited as to amendments which ought to be made. My only objection to this Act is that if it is made permanent without amendment it would not be in consonance with the opinions circulated to us.

**THE HONOURABLE MR. D. G. MITCHELL :** Mr. President, the Honourable Member brings a charge against the Government that it is not in earnest about labour legislation. I would point out to him that the recent programme of labour legislation before the Indian Legislature is perhaps one of the largest programmes of labour legislation that has ever been before any Legislature at any one time. Government fully admits that this important measure requires amendment, but the Honourable Member himself has supplied me with the reason why Government has been unable to bring these amendments before the House at the present juncture. He mentioned the great consensus of opinion in favour of the amendment of the Bill and he hinted at the great variety of amendments suggested. That, Sir, is precisely the reason why we have been unable to bring an amending Bill before the House just now, much as we would have liked to have done so. He also suggests that Government will be in no hurry in bringing the amending Bill. Well, again, I would draw his attention to the programme of labour legislation which has been the result of the sittings of the Royal Commission on Labour. I understand that the Chairman of that Commission, Mr. Whitley, has said that he has never seen the recommendations of a Royal Commission of this calibre brought into effect with such rapidity and efficiency. I can assure the Honourable Member that Government has every intention of considering all these suggestions as soon as reasonable leisure can be found to tackle such a very difficult matter, and to bring in due course, as soon as may be conveniently possible, an amending Bill before the House.

**THE HONOURABLE MR. HOSSAIN IMAM :** On a point of information, Sir. Will the Honourable Member say whether it will be possible to move an amending Bill within a year or two ?

**THE HONOURABLE MR. D. G. MITCHELL :** I think I can undertake to say that it will be introduced within a year or two.

**THE HONOURABLE THE PRESIDENT :** The Question is :

“That the Bill to extend the operation of the Trade Disputes Act, 1929, as passed by the Legislative Assembly, be taken into consideration.”

The Motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

**THE HONOURABLE MR. D. G. MITCHELL :** Sir, I move :

“That the Bill, as passed by the Legislative Assembly, be passed.”

The Motion was adopted.

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### SUGAR (EXCISE DUTY) BILL.

**THE HONOURABLE SIR ALAN PARSONS (Finance Secretary) :** Sir, I rise to move :

“That the Bill to provide for the imposition and collection of an excise duty on sugar, as passed by the Legislative Assembly, be taken into consideration.”

I have one preliminary remark to make. Sir George Schuster has asked me to express to you, Sir, and to the Council his great personal regret that he has been prevented from being present here today. It is a great disappointment to him that he should not be able to take this last opportunity of meeting and bidding farewell to Honourable Members whom he has known and with whom he has worked so pleasantly for the last five years and more. Unfortunately, a retiring Finance Member has always much to discuss and settle with his Honourable colleagues in Council in the last few days before his departure, and perhaps for various reasons more than usual this year. Sir George, has, therefore, had, at a good deal of inconvenience, to go to Simla, but he wishes me to say how really disappointed he is that for this reason he has been prevented from being here today and tomorrow.

This Bill, Sir, and the Bill I shall later be asking Honourable Members to consider form part of the general financial plan which I had the honour of explaining to the Council in introducing the current year's budget and which, I think I may say, was fortunate enough to meet with their general acceptance. I could therefore ask for its consideration without more ado and in any case I do not intend to weary the Council with a repetition of the remarks which I then made ; but in the hope that it may facilitate and shorten our subsequent discussions I should like to make one or two observations of a general character. I suggest that in judging proposals for new taxation which are laid before it a legislature should require to be convinced that three criteria are fulfilled. First, they should be satisfied that additional taxation, whatever form it takes, is required by the financial position of the country ; secondly, they should be satisfied that the actual method proposed for raising the additional taxation is preferable to any alternative method ; and, thirdly, they should be satisfied that the rate or rates of the tax actually proposed will not give more

money than the Government needs. As regards the first two criteria which I have ventured to propound, I have little to say ; they are really covered by the remarks which the Honourable Finance Member made in another place and I made here in introducing the budget. Honourable Members will recall that, apart from any measures to assist Bengal, we found ourselves faced with the prospect of a deficit of Rs. 1,58 lakhs, Rs. 18 lakhs of which we thought we could cover by minor adjustments in the customs tariff, leaving a gap of Rs. 1,40 lakhs which obviously had to be filled. I do not anticipate that in these circumstances any Honourable Member is likely to dispute that the first criterion is satisfied. As regards the second, I showed that it was the very rapid decline in the receipts from taxation on sugar which was responsible for the deficit, and *prima facie* therefore it is only fair and equitable that we should look to sugar rather than elsewhere to restore our position, subject of course to one proviso : we should do nothing to impair the measure of protection deliberately granted to the indigenous sugar industry. I do not propose to discuss at this stage the effect of the proposals in the Bill before the House on the protection granted to the indigenous sugar industry ; the question will arise and will, in my opinion, be more conveniently debated on an amendment which I see the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra proposes to move on clause 3. All I need say is that our original proposals, which are with two modifications those incorporated in the Bill now before the Council, were designed to maintain for the indigenous sugar industry the measure of protection granted to it on the recommendation of the Tariff Board and that Government are not shaken in their view that they succeed in this object. I submit therefore that the second criterion, which I have suggested should be applied, is fully satisfied. On the third criterion, namely, that we are not attempting to raise more money than is needed, I should like, as the question is likely to crop up quite frequently in the course of our discussions, to explain to the House exactly how our estimate of a yield of Rs. 1,47 lakhs from this sugar excise in the current year is based. The tax is to be a tax on issues from factories. Obviously therefore the main basis of our estimate must be the probable consumption in 1934-35 of sugar which will come under the duty, for it is on this that the issues, the amount people will buy, will depend. The consumption of manufactured sugar, including *khandsari*, in India varies considerably from year to year. It has in one year been, I think, as high as 1,300,000 tons but in times of depression—I suppose because people who can no longer afford refined sugar to return to *gur* or other cheaper forms—it falls off considerably and on the available figures it may be expected to be about 950,000 tons or a million tons in 1934-35. We have worked on the higher figure, namely, a million tons, of which about 300,000 tons would be *khandsari* and 700,000 tons refined sugar. The next problem is to estimate how much of the refined sugar will be imported from Java and how much issued from Indian factories. Judging from the most recent figures of customs imports, we have assumed in our estimates that we shall get Rs. 2,05 lakhs from customs duty on sugar this year, representing an import of between 110,000 and 115,000 tons. This, on our estimates of consumption, leaves rather less than 600,000 tons for issues of refined sugar from factories which, with an excise duty of Rs. 1-5-0, would give us in a full year Rs. 1,56 lakhs but, as we shall only get eleven months' receipts in the first year, will only give us Rs. 1,43 lakhs in 1934-35. The amount we can expect to get from *khandsari* sugar

[Sir Alan Parsons.]

in the first year is problematical, more particularly because information as to the exact number of *khandsari* concerns which will come under the definition of "factory" given in the Bill is scanty ; but we have assumed that we shall derive Rs. 4 lakhs from this source. Actually, as Honourable Members are aware, our original proposal was to tax *khandsari* made in factories coming under the definition at the same rate as refined sugar but, for reasons which I shall later have an opportunity of explaining, Government have not opposed an amendment incorporated in Select Committee of the other House in the Bill now before the Council to reduce the rate on *khandsari* by rather more than half to ten annas a cwt. At the same time, we think that we may catch a larger proportion of the *khandsari* production than we originally assumed and have not therefore thought it necessary to change our estimates. They still stand therefore at a total yield in 1934-35 of Rs. 1,47 lakhs, of which Rs. 1,43 lakhs will be derived from refined sugar and Rs. 4 lakhs from *khandsari*.

I hope I have made the position clear. There is one point which I wish to emphasize. It can be argued—in fact I think it has been argued in another place—that the productive capacity of Indian factories is now in excess of the figure of about 600,000 tons which we have assumed for the purpose of these estimates. I do not deny it. But the amount of sugar which will come under the excise does not depend on the productive capacity of the Indian factories ; it depends solely on the available market for refined sugar, whether made in Indian factories or imported, and on the proportion of this available market that Indian sugar can capture ; and if 700,000 tons is a reasonable estimate of the total consumption in India of refined sugar this year—I am myself not sure that it is not too high—an increase in the issues from factories over the figure of about 600,000 tons which we have taken can only be at the expense of imported sugar, with a consequent serious loss to our revenues, since imported sugar pays Rs. 9-1-0 a cwt. and under the proposals in the Bill indigenous sugar will only pay Rs. 1-5-0.

I have dealt with this matter somewhat fully because, as Honourable Members are aware, the Select Committee on the Bill recommended that the general rate of duty should be Re. 1 a cwt. instead of Rs. 1-5-0 and it has been argued that the lower rate would give us sufficient revenue. Government were not able to accept this recommendation and in restoring the rate to Rs. 1-5-0 they have the support of the Legislative Assembly. There is of course more that can be said on this question but it can be left to a later stage in our proceedings. All at present that I wish to submit is that the third criterion I put forward is satisfied and that in proposing Rs. 1-5-0 as the rate for the excise duty Government is not asking for more money than is needed.

Sir, I move.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal : Non-Muhammadan) : Sir, I shall be excused if I take this opportunity of explaining my position in regard to the Bill before the House. From the start I was biassed more in favour of a higher duty than even what was originally proposed by Government. I was more inclined to that view owing to the reports that were pouring in to us from time to time as to how the millowners



were treating the cultivators in paying prices for sugar-cane brought to the factories. When the grant of original protection to the industry was agreed to by the Indian Legislature, one of the main reasons which actuated the Members of this House to support protection for the industry was that it will give a stimulus to sugar-cane cultivation, which will ultimately fetch better prices for sugar-cane to the cultivators who are always in need of better markets for their produce.

**THE HONOURABLE THE PRESIDENT :** We are not discussing the Sugar-cane Bill at present. You can refer to that later.

**THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :** I am just developing my point regarding the Sugar Bill. But it was found to our bitter experience that the capitalists took advantage of the poverty of the agriculturists and paid them very meagre prices for the sugar-cane purchased by the millowners.

**THE HONOURABLE THE PRESIDENT :** That Bill will come later on. All those remarks apply to the Sugar-cane Bill and not to the Sugar (Excise Duty) Bill.

**THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :** Very well, Sir. Naturally these cultivators having been placed in that predicament sold off their cane at the price dictated by the owner as otherwise the sugar-cane would have lost weight if not disposed of the same day. These were considerations which practically goaded me to feel that when the agriculturists can not be saved from the capitalists, why not have a better revenue for the State by the levy of an excise of Rs. 1-5-0 ? But, Sir, owing to the other Bill which is before the House for fixing the statutory price to be paid to sugar-cane cultivators by millowners, I have got no grievance against the millowners and I now think it will be most unfair to throw such a heavy burden of taxation on the millowners as Rs. 1-5-0 per cwt. over and above the statutory price fixed for the purchase of sugar-cane.

I next take the question of the grant of effective protection of Rs. 7-12-0 per cwt. as was recommended by the Tariff Board. The Government have come to the conclusion that even if an excise duty of Rs. 1-5-0 per cwt. is levied, the industry will still be getting the effective protection of Rs. 7-12-0 recommended. Sir, owing to severe internal competition at certain centres, there is no parity in the selling prices of the imported sugar and the Indian-made sugar. Unless and until the parity of selling prices are correctly obtained it is dogmatic to assert that Rs. 1-5-0 per cwt. is a fair excise rate. The rate based on comparison of the parity of selling prices of the two kinds of sugar at a given centre or certain centres may give us the figure proposed by Government but whereas if we compare the selling prices at other centres, having the severest internal competition we find that the rate fixed by Government at Rs. 1-5-0 per cwt. is more than the industry could bear. The parity of selling prices is very soon expected to be further disturbed as soon as the new mills under construction come to full working order during the current year. I am therefore convinced that the recommendations of the Select Committee to which the Bill was referred by the other House is just and reasonable. They recommended that Re. 1 per cwt. is a fair excise rate which an infant industry like sugar can be asked to pay. In theory an excise on eatables is bad but I could

[Mr. Jagadish Chandra Banerjee.]

not agree with my friends, either in this House or in the other, so far as this commodity of sugar is concerned. In this particular case of sugar the excise duty, if levied, will not affect the price owing to severe competition both from within and outside India; and therefore the consumers will not be much affected. On the other hand, sugar is a commodity, which is used only by the richer and the upper middle classes and not the poorer masses and even if the price of sugar is affected by this excise, it will affect a class which can bear this taxation. Lastly, sugar is not a necessity for the masses as in India with the least amount of the rise in price of sugar, the consumers on the borderland of the upper middle classes and the masses will fall back upon the consumption of *gur* which will always be cheaper than refined sugar.

In coming to the question of the Government revenue I cannot see eye to eye with Government dissentients in the Select Committee report. The revenue which Government have budgetted for from this particular item is Rs. 1,47,00,000. Government have only a right to claim that much of revenue for the current year from this excise and no further. The argument adduced by Government that they should not lose any extra revenue if it comes to them from this excise is absurd and is against the canons of all financial propriety. No responsible Finance Member under any constitution can claim extra revenue than that required by him according to the budget presented before the country for meeting his expenses and as sanctioned by the Legislature. The government of a country or the finance minister is not a commercial magnate who should expect to net as much profit as is possible for him during the presentation of the budget and after. In the Select Committee the opposition proved that Government will get Rs. 1,47,00,000 even if the duty is lowered to Re. 1. It was a surprise to find that Government, instead of challenging this expected revenue from the lower duty, demanded the extra revenue by the levy of Rs. 1-5-0 per cwt. I hope and trust that Government will, even at this stage of the Bill, find their way to accept the rate of Re. 1 proposed by the Select Committee and not the rate of Rs. 1-5-0 proposed by them, as such a high rate will adversely affect an infant industry which has only been in existence for some three or four years.

Before I conclude I wish to add that the levy of an excise duty to raise revenue is not the only duty of the Government by the industry concerned. It is as much incumbent on Government to see that the industry gets all help and facility required for cheapening the cost of production of the article. In Java, which is the centre of sugar manufacture, the Government have, as far as I understand, helped the manufacturers by opening distilleries in the sugar area so that a by-product like spirits, both methylated and rectified, may be manufactured from molasses. Here, in India, it has become a problem for the manufacturers regarding the disposal of such huge quantities of molasses. If Government takes this opportunity to open distilleries in sugar districts then, on the one hand, the manufacturers can easily dispose of their molasses and get a certain return from these wastes and consequently they can reduce their prices still further and pay a higher excise revenue to the State. On the other hand, it will yield an additional income to Government by way of license fees and income-tax and will also give employment to many thousands of

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Indians in these days of unemployment. Lastly, it will stop the draining of Indian money which goes out of the country by way of the price paid by India for imported spirits from Java and other countries every year.

THE HONOURABLE SARDAR BUTA SINGH (Punjab : Sikh) : Sir, it is a strange irony that just when sugar factories were coming into existence to make India self-supporting in the matter of sugar—an article of daily use—for which we had to pay foreign countries millions of rupees, an excise duty has been imposed. From the estimates that have been made, the existing sugar factories and others in the course of construction are not likely to deal with even one-tenth of the area under sugar-cane in India, which means that enormous waste is likely to continue. Our present estimates are based only on the consumption of the middle classes, but if sugar becomes cheap and village people begin to use it, the demand that may arise cannot be estimated. I therefore feel that the imposition of an excise duty is premature and I cannot give it my support. Our first duty is to let this industry grow and when it has reached maturity, then put such taxes on it as it can bear.

THE HONOURABLE MAHARAJADHIRAJA SIR KAMESHWAR SINGH OF DARBHANGA (Bihar and Orissa : Nominated Non-Official) : Mr. President, notwithstanding the fact that the Bill has come here after undergoing a fiery ordeal in the other House, I have grave doubts about its desirability and I propose to address you, Sir, on this aspect of the legislation.

The sugar industry in this country has got an impetus on account of the protection it has received of late. Its development has been beneficial not only to the owners and shareholders of sugar mills but also to the cane-growers. The values of sugar mill shares have gone up, the factories are doing good business ; but along with it there is also a progressive increase in the area under sugar-cane cultivation as well as in the general prosperity of the cultivators.

In North Bihar, of which I have an intimate knowledge, it is the sugar-cane cultivation that has helped both the zamindars and tenants to exist during the terrible world-wide depression. Look at the areas in which sugar-cane cultivation is carried on. In spite of the depression and manifold difficulties, the tenants can pay their rent, pay their taxes and supply the necessaries of life. Now, turn to the areas in which there is no sugar mill and the cultivators cannot profitably grow canes. What do we find ? The rent is in arrears, the ryots are not in a position to pay it, their lands, their hearths and homes and all their belongings are in danger of being sold up, they live by incurring debts, which they cannot easily repay, the interest on their debts is swelling up and their credit is reduced to nil. They are either ruined or on the verge of it. People who have been well-to-do of late are threatened with starvation. But the evil does not stop there. The miserable plight of the cultivators affects also the landlords. Since they cannot get their rents they cannot pay the revenue and cess to the Government. They have not the capital either to enable their tenants to grow a money-fetching crop like sugar-cane or to bring the vast areas of lands that have become unprofitable to the tenants under their direct cultivation. They get into debt and their estates and other properties are frequently under the hammer. After all, both the landlords and the tenants have a common lot, their interests are identical and the prosperity of the one is dependent on that of the other.

[Maharajadhiraja Sir Kameshwar Singh.]

Since protection has been granted to the sugar industry the attention of the people who have to make their living by land has turned towards the growing of sugar-cane. Every year more people are attracted towards it and the acreage under cultivation of this crop is on the increase. Naturally, existing mills cannot utilize all the produce and there is a demand for more mills. Thus there has been a remarkable increase in the number of sugar mills within the last two years and, in the ordinary course, they are bound to multiply to cope with the growth of cane cultivation for a few years more. But this makes the Government apprehensive of the fact that there will be out-throat internal competition among the Indian sugar mills that are springing up, there will be no impetus to the increase of efficiency in the mills and the industry, instead of having a healthy growth will continue to be weak, after the period of protection is over, and will not withstand foreign competition.

Sir, I do not dispute these contentions. But I feel that unless the industry has sufficiently expanded itself or unless some other industry which has a bearing on the lives of the agriculturists has been similarly stimulated, it would be greatly detrimental to the class of people who live on the land to enact a measure which would, even in the slightest degree, arrest the growth of an industry which is responsible for saving so many of them from starvation and ruin. In spite of the rapid growth of sugar mills during recent years, I feel that the industry which has to make headway in this country needs the surcharge which, in addition to being a revenue duty, has been giving additional protection to it. Conditions today do not necessitate any deviation from the course which the Government took at the time of levying the surcharge. The report of the Tariff Board was there even then and the Government did not consider it improper to exceed the measure of protection recommended by that expert body. This additional protection I think is still necessary. I do not think that the development of the sugar industry has yet been excessive. Some time hence such a measure as the present Bill might have been quite opportune, but it is not so now. If the Government would have shown a way to the cultivators to tide over this period of depression by some other method, in parts of this country situated as my province is, I would not have minded in the least the imposition of this duty. But it has not done so. On the other hand, it has brought forward a measure the effect of which would be to arrest the expansion of the sugar industry and ultimately prolong the period of the misery of the cultivators, by depriving the bulk of them of the income which they are eagerly expecting to get in the near future for a pretty long time.

In these circumstances, Sir, I feel I should not allow the Bill to be passed with my support.

THE HONOURABLE RAI BAHADUR RADHA KRISHNA JALAN (Bihar and Orissa : Non-Muhammadan) : Sir, I rise to speak on the Bill before the House. It is no pleasure to me to oppose it, and if I do so, I do it reluctantly, to voice the opinion of my constituency.

The proposed levy of an excise duty on factory-made sugar in India affects my province intimately. This affects Bihar most which has been badly hit by the earthquake havoc. I feel the Finance Member has not taken into con-

sideration the fact that Bihar produces a large quantity of sugar. The province depends on the export of sugar to other provinces and an imposition of excise duty is sure to affect Bihar adversely. Since the end of 1931 the mills in Bihar had to reduce the price of their products by about Rs. 2 per maund due to internal competition and it will be necessary in future to make further reduction to dispose of the entire output of sugar. It is a fact, which can be verified by reference to the market, that indigenous sugar can not maintain parity with Java sugar, and due to keen competition the realized prices of the mills are much below the retail prices. They are also getting nothing for their molasses which the Tariff Board expected to yield about Rs. 1-6-0 per maund. This fact is in itself a justification for increased protection. The Tariff Board find Rs. 7-4-0 per cwt. as the protective duty on the assumption that molasses will fetch Rs. 1-6-0 and every lowering of this price of this by-product necessitates increased duty. I do not understand how the sugar industry of Bihar will ever prosper with a further imposition of duty of Re. 1 per maund. To my mind the protection to the sugar industry has done immense good to the country. The cultivators are getting much more for their sugar-cane crop than any other crop. The lands were sown with sugar-cane in preference to food crops thus saving the over-production of the latter. Consumers are getting their supply of sugar cheaper and the industry has given employment to many people in these hard times. The Government get more than a fair share from the industry by way of direct income, like income-tax and duty on machinery and they are also realizing indirect income in the shape of postage, telegram charges, railway freights on cane, etc., and also income-tax from employees. I do not find any justification for the imposition of a double burden on this newly established industry. On the other hand, the industry stands in need of further help in the shape of reduction of railway freight for longer distances. In the interest of the cultivators and consumers alike and in their own interest I think Government would do well to give adequate protection to the sugar industry. It has been urged by the Finance Member that the proposed measure will have a healthy effect in the sugar industry by checking over-production. As long as India imports large quantities of sugar from foreign countries one can not say that there is over-production in this country. When the evil effects of over-production are felt these could be remedied by notifying that new mills can only be erected after obtaining a license from Government, which can be issued by the Commerce Department, after careful examination.

Sir, a great argument of the Finance Member and supporters of this Bill is that imposition of this excise will check the speculative element and retard the uneconomic expansion of the industry. I am afraid, Sir, the Finance Member in his modesty did not give himself full credit. His speech gave such a glowing picture of the prospect of this industry that I think it may induce many more to invest money in this venture. Company promoters and professional businessmen's words are not relied upon so blindly by the investing public as the considered pronouncement of responsible Members. When the Finance Member talks of 300 and 400 per cent. profit on the capital value of shares no one can resist the temptation of having a finger in that pie. If the Government can not balance the budget they ought to reduce their expenses. Even if they cannot reduce and need money they can raise it in some other

[Rai Bahadur Radha Krishna Jalan.]

way without hardship to infant industries. I would like to suggest the following points :

- (1) In places where the sugar mills are situated the local consumers get sugar cheaper than in other places, the imposition of a small duty on such sales after going into the details will not be a burden to any one.
- (2) A small duty of four to six annas may be imposed on salt. To my mind even the poorest of the poor use more worth and quantity of sugar than of salt. So an imposition of an excise duty of Re. 1 per maund on sugar will affect the poorest more than having four annas on salt.

An excise duty, whatever might be said in support of it, is a tax on production and as such it has always been deservedly unpopular in all countries. Anxious as I am to avoid reference to past history one cannot but recall a similar instance of an excise duty, I mean the cotton excise duty. This particular one has given rise to controversies and the Government agreed to abolish it only a few years back. I wonder why the Government is so anxious to repeat the experiment albeit in a different sphere. Sir, if justice was to be done to this industry it ought to have been promised higher protection than Rs. 7-4-0.

The reduced prices of molasses and sugar, the import duty on machinery, and the increased income-tax has established our claim to a higher duty than Rs. 7-4-0 and if the Government do not rely upon my assertions, Sir, I would request the Government to have the facts verified by a reference to the Tariff Board. The Tariff Board without the waste of much time or labour can calculate the effect of all the items on the sugar industry. The sugar mills would be willing to abide by the verdict, but will the Government express its willingness to refer the matter to the Tariff Board and accept its recommendation on these issues.

In consideration of all these facts, once more I entreat the Government not to proceed with this measure.

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON (Punjab : Nominated Non-Official) : Sir, the provinces where sugar-cane is cultivated extensively and where a large number of sugar factories existed or were started before last year and had made very high profits, those provinces may have no good reason to grumble at this Bill. But, Sir, in the Punjab, the province to which I have the privilege to belong, cane is not cultivated extensively and only one or two factories existed—one of them at Sonapat at the corner of the province on the border of the United Provinces—and they were also having a precarious life. Last year the construction of two or three new factories was started in the province and this was encouraged by two facts—firstly, the protection extended to the sugar industry in India, and, secondly, the prices of agricultural produce having gone abnormally low and sugar-cane being the only crop which could possibly be made to pay, provided there were sugar factories in the neighbourhood, it was hoped that more cane will be grown in the province. This Bill, Sir, will, to my mind, result in killing the sugar industry in the Punjab in its infancy. I am a shareholder, Sir, in a small factory started at Bhalwal in the Jhelum colony. Its construction was started last year and the shareholders are the zamindars of the place and not

any money speculators. This factory was completed only three or four months ago and if this duty is imposed I am sure it will prove fatal not only to its success but to its existence. In the Punjab we have not got many millionaires and we cannot raise funds to start huge mills which would make profits in spite of this duty. I wish that Government, to encourage the larger cultivation of cane in my province and to encourage the construction of more factories, should have exempted my province from this duty at least for a couple of years.

**THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras : Muhammadan) :** Sir, up till now the objections that have been raised against the Bill fall under two heads, one on the main ground that this will be detrimental to the general interests of the industry as a whole, and, secondly, that this will be detrimental to the interests of factories newly started or factories situated in North Bihar which has been stricken by the earthquake. Before I deal with the general criticism that has been made I would dispose of the objections that have been raised on account of particular considerations. As regards Bihar I do not think it is necessary for me to assure the Honourable Members who have urged the case of Bihar that there is not one Member of this House who does not feel sympathy with the afflicted people in that area. Sir, the Honourable the Finance Member, in the course of the discussion in the other House, gave an assurance that the case of Bihar was a different thing altogether, that any factories there which would lay their claim for concessions to be given to them on account of any damage suffered by the earthquake would receive due and full consideration. He assured them that the Local Government would be asked to prepare a scheme to recommend cases where damage has been done to the factories owing to the earthquake and where the factories were not in a position to do their normal course of business, and when this scheme is prepared, the Government of India would try to give the concessions that might be offered in those cases. In this instance, Sir, I would urge upon the Government of India to give very definite and clear instructions to the Government of Bihar that even in those cases where the damage has been very trivial and consequently where the claim is insignificant even these cases ought not to be kept back and they should also be reported to the Government of India so that they might be given the consideration they deserve. As regards new factories, I am in full sympathy with the anxiety that has been expressed by my Honourable friend the Nawab Sahib from the Punjab. If this Bill was calculated to affect adversely any new factory, I would have been the first to take objection to it. But, Sir, I feel that, in spite of the apprehensions that are entertained, the duty proposed is one which will leave a clear margin of profit to the new factories also.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** What is that clear margin ?

**THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR :** It is based upon calculation. I will come to it. This Bill would enable well-managed concerns to make a reasonably fair profit and to give reasonable dividends to the shareholders. Since I feel sure of this, I give my support to this Bill.

As regards the question of the fair margin, Sir, my reading of the Bill is that even with this higher duty, the protection afforded to the industry

[Saiyed Mohamed Padshah Sahib Bahadur.]

Rs. 7-12-0 per cwt., the highest protection that was guaranteed by the Government when the first measure for protection was introduced. The Select Committee attempted to change this by proposing a lower rate of duty. If we examine the grounds that have persuaded the Select Committee to recommend a lower duty, we see that they have recommended this lower duty mainly on the one ground that a duty of anything more than Rs. 1 would adversely affect the interests of the industry. But in making out a case for this the Select Committee have failed utterly to carry conviction. On their own admission, they say that it was not possible for them to come to an agreement upon facts as regards the price of sugar. When it was not possible for them to ascertain the price of sugar for themselves, except on information furnished to them by the Government, it is difficult to see how they could hold the view that the case put up by the Government that the contention of the Government that even under the higher duty the industry was not going to be adversely affected was wrong. It is not merely sentiment that should go to induce people to take sides in this matter. Hard facts and figures will have to be taken into consideration before one comes to any decision upon this question. Government contend that even in spite of this higher duty the protection afforded is the protection which has been recommended by the Tariff Board. If, in the face of this contention, any claim for any higher protection is made it should be done on the strength of evidence, if any, which will go to prove that the measure of protection recommended by the Tariff Board was inadequate. So long as no evidence is adduced in this respect and no case is made out to show that the recommendations of the Tariff Board were inadequate, no claim for any lower duty could be considered. So long as the present proposals of the Tariff Board are there, those proposals can be changed only after an equally elaborate enquiry of the kind which persuaded the Tariff Board to make the recommendations which they have made in the report. Since no evidence has been adduced and no facts have been brought forward to prove the inadequacy of the Tariff Board recommendations, I hold that this rate of duty of Rs. 1-5-0 is perfectly justifiable and is one which cannot be objected to on the ground that it has deprived the industry of any protection which was promised to be given.

Now, Sir, as regards the general objection which was very strongly levelled against this Bill by my Honourable friend the Maharaja Sahib, all that I have to say is that even here we have got to come to conclusions upon facts. As the Honourable the Finance Member said in the other House, the effect of this duty was not only not to decrease the value of the shares of sugar factories but, on the other hand, even after the budget proposals were announced, the shares appreciably rose in value, and not only that, but new factories have actually been projected. All this goes to show that this cry as to the depression of the industry is based upon false apprehensions, upon mere suspicions, and that after all this higher duty is not calculated to check the natural growth and development of the industry.

Sir, it is common knowledge how on account of the very favourable position that this industry found itself in there has been a little too much of speculation in the belief that the industry would enjoy a measure of protection which was very much higher than what was recommended by the Tariff Board.



Under this belief that those favourable circumstances would continue, speculation had become rampant. It was therefore necessary that steps should be taken to check this speculation and to disillusion the public since there was no guarantee that those favourable conditions would continue. Therefore, apart from any revenue considerations, it was in the best interests of the country and also of the industry that some steps should have been taken to arrest the unnatural growth and the speculation that was brought about by unusually favourable circumstances in which the industry was placed. Sir, if the result of this proposal is, that besides checking dangerous speculation, it still leaves a fair margin of profit to the manufacturer, no objection can be taken to this measure. The industry still gets the protection that was recommended by the Tariff Board and it is not open to the industry to say that they have been given a lesser measure of protection than what was necessary for the industry to attain its natural growth and development. Now, Sir, if besides checking this speculation, if the result of these proposals is to offer an incentive to efficiency, I think this measure ought to be welcomed. It is common knowledge that, owing to the too easy circumstances in which the industry found itself, sugar manufacturers were inclined to take things easy. They were not disposed to put forth any effort to acquire efficiency. Now, under this new arrangement, I think it will be necessary for those manufacturers to bestir themselves and to make a real honest effort to attain efficiency. It has been said that the ambition of the sugar manufacturers in India is not only to supply the home demand but also to capture the Empire market or even the world market. Now, Sir, if he finds that, in spite of this higher duty protection which enables him to make a fair margin of profit, he is not in a position to capture even the home market, we can conceive how difficult, if not impossible, it would be for the manufacturer in India to try and get his due place in the markets of the Empire and the world abroad. Therefore, if our ambition is to supply not only our internal demands but also to compete fairly and successfully with the other sugar manufacturing countries, we must try to attain efficiency very much higher than the present standard. And in order to give an incentive to acquire this higher efficiency I think the Government could not have considered a better measure than the one they have proposed.

Sir, I support the measure.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, it is a matter of much regret that Government have decided to put an excise duty on sugar and for that purpose they are introducing this Bill into this House after its having been passed by the Assembly. On principle excise duty always stands in the way of the development of the industry concerned. When the Tariff Board recommended the protection of the sugar industry, the price of molasses varied from Rs. 1-8-0 to Rs. 2 per maund. Now molasses is fetching nothing. Besides, the price of sugar contemplated by the Tariff Board after two years was much higher than the actual price now prevailing in the market. So the recommendations of the Tariff Board have not been kept in view in framing the Bill. Though some of the sugar mills have been making large profits most of the mills have not been able to do so and none of those established during the last two years have made a profit worth the name. On the other hand, some of the mills have

[Rai Bahadur Lala Ram Saran Das.]

incurred losses. In any case the point is not how much profit the mill made on the whole but how much profit it made per maund on sugar produced by it. Supposing a mill makes a profit of Rs. 5 lakhs a year and manufactures five maunds of sugar, the profit would look very large but on paying duty at the proposed rate, all its profits would be wiped off. No inquiry seems to have been made regarding the amount of profit made by the various mills per maund and Government seems to have been carried away by the apparently large profits made by some of the mills. No inquiry seems to have been made either from Local Governments or from sugar organizations but Government seems to have relied on the report of its own officials, particularly the Sugar Technologist, whose report, unless it is checked by those who are interested in the industry, cannot be treated as reliable.

The various Provincial Councils where the question was discussed strongly protested against the imposition of this duty. The imposition of duty on sugar looks like a breach of faith as there is no doubt that people would not have set up so many mills if they had the least suspicion that Government would impose this duty. It is like rescuing a lamb from a wolf and slaughtering it for your own use.

Mr. Manohar Lal, a great economist, pointed out in the Punjab Council that there was no instance anywhere in the world where any Government, after proclaiming protection for an industry, took steps to reduce that protection within such a short time as the Honourable Sir George Schuster has done. The result would be that a large number of mills will have to be closed as they will not be able to make any profit after paying Re. 1 per maund as excise. The Honourable the Finance Member has been shifting his ground so far as the arguments in support of the duty are concerned. He started by saying that it was in the interests of the cane-growers and the consumers and also in the interests of the efficiency of the sugar industry to prevent over-production and now he is not relying on any of these arguments as there was no force in any of them; he simply says that he wants money and there is no other source which he can tap. There are various other concerns which have been making large profits but Government never thought of taxing them. There is no reason why the sugar industry should be singled out immediately after its inception.

The Honourable Sir George Schuster has said that most of the sugar mills in India are inefficient. Will the imposition of duty at this rate make them efficient? Certainly not. The object seems to be to kill them. If that is so why not say so? He also said that the sugar mills should build up a reserve to stand on their own legs when protection is removed. Does he really think that after paying such a heavy duty there is any possibility of their building up a reserve? Absolutely none. Then he went on to say that the cost of production in India was two or three times that of Java. It is perfectly true but will this duty reduce the cost of production? All the arguments are in favour of higher protection and not in favour of removing the protection either by direct or indirect methods. Then, again, the Select Committee pointed out that by reducing the rate the Honourable the Finance Member would get Rs. 1,47,00,000 which is what he wants. Now he has shifted his ground and says, "Why should I not get more as it is possible that I may get less from

other sources of revenue?" This is absolutely unjustifiable. No Finance Member has a right to impose a tax more than is necessary. He cannot take into consideration the possibility of income from other sources falling short of his expectations. The Council of State is a senior body of matured judgment and should not be a party to the infanticide of the sugar industry which is sure to be the result of this high duty. Sir, I would draw the attention of the Honourable the Finance Secretary to the representations submitted by the Indian Sugar Mills Association and the Indian Sugar Producers Association. They have dealt with this case in detail and have pointed out the various arguments in opposing this measure and have made certain useful suggestions. I would like to invite the attention of the Government to Appendix V and pages 32, 33, 34, 35 and 36 of their representation. In dealing with this case the objections of this Association to the excise duty as at present proposed are tabulated as follows :

- "(a) The Finance Member's statement that the excise duty is necessary to prevent further expansion, is not correct. The above table will clearly show that under existing conditions and without the imposition of any excise duty, the industry cannot recover the ten per cent. profit on its investment indicated by the Tariff Board. There is, therefore, no likelihood of 'the danger of continuing a stimulus which is in excess of what Government decided to be necessary as a measure of protection'."

I will, Sir, to clear myself, give the table to which I have just referred. I refer to the Tariff Board's report, page 69, paragraph 64, in which the fair price for sugar at the commencement of the protective period was Rs. 9-5-9, at the end of the protective period it was Rs. 7-12-5 ; actuals as at February, 1934, was Rs. 7-12-0, of which cost of cane at the commencement of the protective period was Rs. 5-8-10, at the end of the protective period was Rs. 4, actuals as at February, 1934, Rs. 4. Add back value of molasses Re. 0-10-8 at the commencement of the protective period, Re. 0-6-9 at the end of the protective period, and actuals as at February, 1934, nil. Balance to represent manufacturing cost, overhead charges and ten per cent. profit on capital invested at the commencement of the protective period was Rs. 4-7-7, at the end of the protective period it was Rs. 4-3-2, actuals as at February, 1934, Rs. 3-12-0.

- "(b) That the imposition of this duty, which factories will have to bear in whole or part, is manifestly unjust particularly to that large body of investors whose factories have only recently, if yet, actually commenced operations. A large proportion of the industry is now working its second season and an even larger proportion is working this season for the first time.
- (c) That the extra protection provided by the surcharge has become largely ineffective owing to the rapid expansion of the industry in the past two years and that in using this surcharge as a reason for imposing the proposed excise duty, Government are basing their arguments on a fallacy.
- (d) That is, as is implied, the *khandsari* industry is to be excluded from this duty, a further hardship is imposed on the sugar factories. The *khandsari* industry is estimated to represent one-third of the total sugar output. The exclusion of this portion of the industry can only react as a further depressing influence on the market price of sugar in India. This discrimination to the disadvantage of one section of the industry is a breach of the equality of treatment implied for all classes of the industry, when the protection was granted under the stimulus of which the factory industry has expanded. It must be pointed out that the *khandsari* manufacturer is not an agriculturist, but an industrialist, whose raw material is purchased juice instead of purchased cane.

[Rai Bahadur Lala Ram Saran Das.]

(e) That the provision appertaining to factories in Indian States is most unsatisfactory, and may encourage States to utilize the duty recovered by them in further extensions of State-aided sugar factories to the disadvantage of the industry in British India. At the least, therefore, provision should be made for the repayment to the Central Government of the duty realized on all Indian States' factory outturn in excess of the Indian States' consumption.

(8) It is fully realized that the loss of import duty revenue on foreign sugar to Government is a matter of great importance and, although this loss was envisaged by Government when the Protection Act was passed, Government may now find themselves unable to find alternative methods of taxation or to revise or reduce the excise duty now imposed.

(9) If this is the case, and notwithstanding the injustice to the industry, this duty must be imposed, then it is most strongly recommended :

(a) That the *khandasari* industry should be included and the incidence of duty reduced proportionately.

(b) That in order to enable Indian sugars to reach the furthest markets in India and Burma the specific protective duty of Rs. 7-4-0 per cwt. should be increased to Rs. 7-12-0 per cwt. simultaneously with the imposition of the excise and during the continuance of the surcharge.

(c) That the duty should not be imposed before 1st November, 1934, or if this is impracticable

(d) That the duty should apply only to sugars actually produced on or after 1st April, 1934, and be payable when issued from factories.

(10) With regard to points (c) and (d) above it should be pointed out that the imposition of this duty within a few weeks of the end of a season will cause and is causing considerable market dislocation, whilst the provision that the duties will be payable on all factory stocks on 1st April will impose an unfair hardship on those factories which, owing to inadequate railway services, will be unable to clear their stocks by this date "

I might also mention, Sir, that this rapid development of the sugar industry has led to the investment by the public of some Rs. 15 crores and has taken place by reason of the assurance of protection to the industry for a period of 15 years. This assurance not only protected the investing public from competition from foreign sources but also implied equality of treatment for all classes of sugar producers in India.

Sir, there is a rumour prevalent in India that this excise duty has been imposed as a result of the Far Eastern policy, and that that policy, considering the present political situation in Chinese and Japanese waters and the relations between China, Russia and Japan, has been one of the causes which have led to win out the Dutch and the Dutch East Indies.

THE HONOURABLE SIR ALAN PARSONS : May I immediately contradict that rumour? It is absolutely untrue.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Sir, I am glad that this rumour has been contradicted by the Honourable the Finance Secretary.

THE HONOURABLE SIR ALAN PARSONS : I am grateful to the Honourable Member for giving me an opportunity of contradicting the rumour. I did not know of it.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : Neither did I.

**THE HONOURABLE RAI BAHADUR LAJA RAM SARAN DAS :** Sir, such rumours do crop up sometimes and they should be instantaneously contradicted if they are wrong.

Sir, I might for the information of this House mention that, as my Honourable friend Malik Mohammad Hayat Khan Noon has said, in the Punjab there is no extensive cultivation of sugar-cane. But, Sir, the Punjab has invested a considerable amount in the sugar mills, particularly in the United Provinces. I know instances, Sir, where people have mortgaged their property and ornaments at high rates of interest in order to buy the shares of new sugar concerns. Their fate now, after the imposition of this excise duty, seems obvious and the result is that a great set-back is being given to the habit of investing public money in industry. I, therefore, Sir, am opposed to this Bill and am opposed to the excise that is proposed, which I fear will result in the infanticide of the sugar industry.

**THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras : Non-Muhammadan) :** Sir, a criticism has often been levelled against the Government that this excise duty on sugar would kill the infant industry. Let us examine whether there is any force in that criticism. The Tariff Board recommended an effective protective duty of Rs. 7-4-0 per cwt. for sugar that is imported into this country, and that if at any time the price of imported sugar goes below Rs. 4 per cwt. a further increase of eight annas per cwt. should be imposed making up a total of Rs. 7-12-0 per cwt. This was in 1931. The Tariff Board hoped that by the end of the period of protection, viz., 15 years, India would be able to produce as much sugar as she required.

In 1932, the Government imposed a general surcharge of 25 per cent. on all dutiable articles. Hence the sugar industry got an additional protection of Rs. 1-13-0 per cwt. Under this high tariff wall the sugar industry has prospered and made substantial profits. While this is a matter for congratulation, it must also be remembered that Government has lost heavily in customs duty on sugar since the protectionist policy was launched. The revenue derived from sugar duties has dwindled from Rs. 10 crores in 1928 to Rs. 2 crores according to the budget for next year. To counterbalance this heavy loss in revenue Government had naturally to turn round and tax other necessities of life. Already we find that a match duty is levied. This is a poor man's necessity as well as a rich man's. All the profits of the sugar industry go only to the pockets of a few factory owners. The Government proposals are very reasonable as they only ask the factory owners to pay an excise duty which is the difference between the present protective duty and that recommended by the Tariff Board. I cannot see any ground of grievance for the factory owners. On the other hand, on account of the high protective duty many factories have grown up like mushrooms and in a few years over-production is inevitable with its resultant effect of falling prices and competition. Sir, it is contended that India will then be in a position to supply Great Britain and other foreign countries with its sugar. But this contention is fallacious. For Java is now able to produce three times the quantity of sugar-cane per acre than what India is able to produce. Hence it will be able to sell cheaper in foreign markets. Therefore, Sir, I welcome this Bill. We must also be thankful to the Government for fixing the price of cane under another Bill and thus conferring a real benefit to poor cane-growers who are now being paid very low prices for their cane by the factory owners.

[Diwan Bahadur G. Narayanaswami Chetti.]

Sir, I wish to submit that the question of *khandsari*, that is, the producers of sugar by indigenous processes stands on an entirely different footing. They require exemption from the excise duty. Though it is true that most of the *khandsaris* do not come under the definition of "factories," some do come under that definition, and I plead for their exemption for the following reasons :

- (1) The utmost recovery that they are able to get from cane is only five per cent. as compared with factory owners who get eight to nine per cent.
- (2) The *khandsari* sugar is far inferior to factory-made sugar and thus gets less price per maund than factory sugar. The difference in price varies from twelve annas to Rs. 1-4-0 per maund. Hence they cannot afford to pay this excise duty. It is a cottage industry in my province and many agriculturists are producers of *khandsari* sugar. Further they consume as much cane as the factory owners. The price of jaggery has fallen below the cost of manufacture. Every one cannot erect big factories. As a matter of fact in my presidency there are only eleven factories as against 77 in the United Provinces. Hence we have to develop *khandsari* production of sugar to a great extent if we want to consume all our cane. As this excise duty will be too heavy for the indigenous producer of sugar, namely, *khandsaris*, I plead for their exemption.

With these words, I have pleasure in supporting the Bill before the House.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan) : Sir, in spite of the eloquent support given to this measure by my Honourable friends Diwan Bahadur Narayanaswami Chetti and Malik Mohammad Hayat Khan Noon, I am sorry I am not in favour of the principle underlying this Bill. I am opposed to the proposed levy of an excise duty on sugar on more grounds than one. *Firstly*, sugar is an important article of food for the millions of poor people in India and excise duty on it means a tax on the production of food which is not justified on the grounds of equity. *Secondly*, the sugar industry is still in its infancy in India and an impost on it would mean the taxing of a nascent and budding industry and is therefore likely to have a serious effect on its development. The Government thinks that the development of the sugar industry in the country has far exceeded the wildest estimates and that there is a real danger of over-production of sugar. But it should be remembered that the development of the sugar industry has just begun and the fact that this duty should have been levied when new factories have just started work and before they have had time to overcome the initial difficulties which every new venture has to encounter and before over-production has become a proved fact, makes the imposition of the proposed duty quite indefensible. *Thirdly*, Sir, it was only two years ago that the Government of India undertook legislation on the basis of the recommendations of the Tariff Board, with a view to assure the sugar industry an uninterrupted period of protection till the 31st March, 1938 : and now the announcement of a fiscal change of far-reaching importance has come to those who have sunk crores of capital in the industry in the belief that it had been given

an assured shelter for at least seven years and may be for 15 years, as nothing short of a breach of faith, if I may use that expression without impropriety.

Sir, the Honourable the Finance Member, in his budget speech, stated that in many cases large profits were being made by sugar manufacturing companies. If this is the idea that has prompted the Government to impose an excise duty on sugar, then I submit that the first thing the Government should have done was to remove the emergency surcharge of Rs. 1-13-0 per cwt. imposed on the protective duty of Rs. 7-4-0—

**THE HONOURABLE SIR ALAN PARSONS :** That would not have given us any revenue.

**THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD :** Then I would not have minded if, instead of levying an excise duty on sugar, a tax had been imposed on the profits of sugar factories. That would have brought Government revenue, Sir. Such a proposal would any day be more equitable than the imposition of an excise duty on sugar, although sugar manufacturing companies are at present paying not only income-tax but also super-tax and the surcharge on income-tax. This proposition would have been better from the point of view of the consumer also in the sense that by the imposition of a tax on the profits of sugar factories there would have been no danger of the prices of sugar going up, whereas the levy of excise duty, it is feared, might result in a rise of the price of the commodity and thus may affect the interests of the consumer to some extent. Besides this, there is a danger to the interests of the cane-grower also involved in the proposal of the excise duty inasmuch as it is feared that with the resultant increase in the cost of production of sugar the sugar factory owners would try to buy sugar-cane from the growers at cheaper rates than heretofore by some device or another, notwithstanding the provisions of the new Bill to regulate the price of sugar-cane which we are going to consider shortly.

Then, Sir, the extent to which this impost has evoked opposition in the country can be gauged from the fact that, commercial bodies and associations apart, whose views are well known, Provincial Legislative Councils of the United Provinces and the Punjab, among others, which are the most important sugar-cane growing and sugar manufacturing provinces in common with the province of Bihar, and where the largest number of sugar factories exist or are under construction, and which therefore are the areas mainly to be affected by the proposed duty, have opposed the measure in unequivocal terms and passed resolutions protesting against it. But the Government of India has ignored the views of these provinces whose people will be the sufferers by the provisions of this Bill.

The Government has not even cared for the fact that a number of sugar factories have been destroyed in the province of Bihar by the earthquake. If an excise duty on sugar is going to be imposed in spite of the country-wide opposition, then at any rate these factories in Bihar should have been exempted from this duty for some time. Similar is the case with a number of new factories which have been built up only this year and which cannot be said to have made profits, and likewise is the case with others which are still in the course of erection. The case of all these calls for exemption for some time to give them opportunity to get accustomed to the conditions of work and become efficient. But in spite of the efforts of non-official Members in the Legislative Assembly

[Rai Bahadur Lala Jagdish Prasad.]

the Government is not prepared to treat their case on a different footing but they are to be treated on the same level as the much older and experienced factories which have long been in running order. Is it fair and equitable, I ask ?

Then, there is the *khandsari* sugar to be taxed which is an agricultural industry. Some non-official Members pleaded in vain in the Lower House that this industry deserved protection instead of taxation, as there is always a competition going on between the *khandsari* and factory sugar. *Khandsari* sugar is produced mainly by agriculturists who have generally to borrow money in order to invest it in the industry, unlike the capitalist owners of sugar factories, and their case therefore should have been treated on a different footing in that no excise duty should have been imposed on *khandsari* sugar. One Member of the Legislative Assembly is reported to have gone to the length of opining that excise duty on *khandsari* sugar was a duty on orthodoxy and religion, apparently because of the comparatively primitive methods employed in the manufacture of this kind of sugar and by reason of its being of an inferior quality on account of which it sells cheaper than the ordinary factory-made sugar. It is a well-known fact that there is a lower margin of profit in the case of sugar made by the *khandsari* process and that such sugar is accordingly less capable of shouldering the proposed duty. Then, Sir, there are no data in the possession of the Government to ascertain the real conditions of the industry and taxing an industry in the absence of any data is, in my opinion, a thing unheard of in any civilized country. As the Select Committee has rightly remarked, if the *khandsari* industry is suddenly seriously damaged that may react on the growers of sugar-cane who rely on the disposal of cane or *gur* to *khandsari* factories. But the Government have no soft corner in their heart even for this cottage industry and they have not seen their way to exempt it from duty.

And lastly, Sir, I must object to the Government's not accepting the majority report of the Select Committee which, as a sort of compromise, had proposed a reduced rate of duty, and their turning it down in the open Assembly by the sheer strength of votes. It had been pointed out to the Government by some Members that in spite of the lowering of the rate of duty the budget provisions could be kept intact as they thought that the Finance Member's estimated yield of Rs. 1.47 lakhs from excise duty at the rate of Rs. 1-5-0 per cwt. was an under estimate. They pointed out that owing to the growth of the new factories and large quantities of sugar bound to be manufactured in the current year, they estimated that at least 750,000 tons of sugar would be produced as against the Government estimate of 646,000 tons. Moreover, as the Government estimate did not include the *khandsari* sugar which has been roughly estimated to amount to 250,000 tons and of which at least 60 per cent. is estimated to be produced by the factories, the Members estimated that the total amount of revenue at Rs. 1-5-0 per cwt. would come to Rs. 2.36 lakhs. Thus they made it clear that the reduced rate of duty proposed by the Select Committee would yield the revenue required by the Honourable the Finance Member. But the Government did not care to accept any single important proposal made by the popular side of the Lower House in relation to this Bill.



For these various reasons, Sir, I am obliged to withhold my support from the measure.

**THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY (Bombay : Nominated Non-Official) :** Sir, I rise to support the consideration of the Bill. The proposed excise duty has met with considerable opposition from the promoters of the industry. Their opposition is based upon the assumption that their profits would be considerably reduced and the industry ruined entirely ! Since protection was granted the expansion of the industry has been very rapid indeed and from 31 factories in 1931-32, the number will increase to 155 in the course of the current year, in addition to twelve *gur* factories. If the protection which has still to run for some years, is to continue, it is bound to increase to a much greater extent. Unfortunately however the promoters were too hasty. They did not wait to see the experience or the mistakes of their predecessors ; they went on headlong in order to obtain quick profits. In fact, although the Honourable the Finance Member last year foreshadowed an excise duty in his budget speech which should have given them something to think about, they went on increasing the number of factories. They imagined that, with the protection given, they had discovered an Eldorado or another Klondyke where money could be made by merely scratching the surface of the soil. Then, Sir, large and quick returns were probably anticipated. It was said at another place that even widows and poor small shareholders borrowed money in order to buy the shares of the sugar companies ! They must have been very greatly tempted and their cupidity aroused. I hold here in my hand an advertisement from a local paper which says that—

**THE HONOURABLE THE PRESIDENT :** Order, order. You cannot read anything from a newspaper.

**THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY :** Very well, Sir. When share brokers and agents are allowed hereditary commissions as also preferential treatment is promised to large investors, it is but natural that it is to the advantage of the former to induce people of small means to rush to buy the shares. There are some publications which I have no doubt have been circulated amongst the Honourable Members by experts who oppose the excise duty. They however give away the whole case. They say that there was want of proper organization, that there was no adequate preliminary inquiry and no research at all. Further they state that there was lack of experience on the part of the management, cheaply bought and erected machinery and practical absence of all technical knowledge. The price of cane was not regulated and the farmers were mulcted of a fair price through unjust and excessive deductions by false weights. These are statements made by the opponents of the excise duty ! And one declares that on account of this excise duty and fixation of the price of sugar-cane the Provincial Governments will grind down and obtain the maximum of land revenue through various devices from the cane-growers. The cry therefore about the ruin of the sugar industry is not justified. In face of the above indictment, Government cannot be held responsible for the initial faults of the promoters of the industry. If internal competition has reduced their profits as alleged, it is through want of proper organization of the industry and consequent absence of any stabilizations of prices. We hear a great deal about the interests of the agri-

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cultural population. If more factories were established, if more sugar is produced, if the cost of manufacture is reduced, it would be to the greater benefit of the agriculturists. The people of India would thus be able to buy sugar at a cheaper rate. That the sugar industry is not so badly off at present can be seen from the prospectuses of new companies. A prospectus was recently issued of a company with a capital of Rs. 1½ lakhs, of which Rs. 10 lakhs was to be called in for a factory intended to produce 300 to 750 tons of sugar per day. The estimated profit at the rate of Rs. 3 per maund was calculated at Rs. 4½ lakhs on a capital of Rs. 10 lakhs! If Rs. 1-5-0 per cwt. were to be deducted as excise duty, the net profit would be Rs. 3,80,000, or nearly 30 per cent! Is such an industry going to be ruined by this excise duty, I ask the Honourable House?

**THE HONOURABLE SAIYID RAZA ALI:** Does the Honourable Member believe in the accuracy of the statements made in the prospectus?

**THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY:** I presume these are honourable men who have put their signatures to the prospectus and you must take them at their face value. The existing factories if they desire to work for the benefit of their promoters and shareholders will have to put their house in order or go to the wall. They should not cry out like spoilt children who want to have their cake and eat it too! The Honourable the Finance Member said in the other House that in spite of his reference to an excise duty in his last year's budget speech, ten more factories have been projected, and four more since he announced in the House its imposition this year! There still exists an ample field for factories with efficient management, and if the present protective duties are retained there will be fair profits for the shareholders, cane-growers and labourers and low prices of sugar. The present output is inadequate to meet the total consumption, say some of the promoters.

Now, Sir, I come to one of the greatest drawbacks of every industrial concern in India, and that is the total neglect of preliminary investigation and absence of research in order to save expense. These form the basis of technical efficiency. No industry can thrive unless it makes every effort to investigate the potentialities not only of its by-products but of its tail-products as well, so that not a particle of the raw material is lost or wasted. The sugar industry should ere this have organized a technological laboratory for the purpose and not waited till Government should have made a move. Industries in Europe and America do this for their own benefit. Were it known in the scientific world that a rich material like molasses was being wasted and even thrown away, Indians would be considered as arrant fools or stark mad. This state of affairs is indeed very disheartening to any lover of this country. Those who clamour for self-government make such a sorry exhibition of self-help and then lay all the blame at the doors of Government for their own incapacity! In his masterly and exhaustive monograph on the sugar industry, Mr. Gandhi—not the Saint of Sabarmati—but the Secretary of the All-India Sugar Association, has treated exhaustively the potentialities of the raw products of the sugar industry. He shows how it would be possible to utilize to the utmost every little piece of sugar-cane for the benefit of the country! If each of the 155 factories had laid aside Rs. 1,000 only for the purpose of a technological

institute, they would have been far better off today than they were last year or the year before. But no, they want Government to do everything for them ! The promoters should be grateful to Government for setting up for research the Harcourt Butler Institute at Cawnpore in order to make further investigations into the potentialities of molasses and its by-products.

Sir, I entirely agree with the suggestion made in the other House that on account of the catastrophic events that have occurred in Bihar and the destruction of several factories, Government should give them some special consideration. At the same time I cannot help saying that, when people wanted sympathy, when they wanted encouragement, when their hearts were seared and bleeding they should have been accused of sins which, it was said, had brought down upon them this calamity. I will not say more. It was a cruel and a heartless stab to those who were practically homeless and ruined and who were humbly and peacefully carrying on their usual avocations.

Sir, I support the Motion for the consideration of the Bill.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA** (United Provinces Central: Non-Muhammadan): Sir, I am glad that the country-wide opposition to this measure has found adequate reflection in this House. Barring three Honourable friends, all have opposed the measure tooth and nail. Sir, the support of my friend Mr. Padshah would have been much better if he had only uttered the words " I support this Bill ! " He went into details and the principles of which he was utterly ignorant. I put certain questions about facts and figures but he could not give any reply. He talked about market conditions when the report of the Tariff Board was made and the market conditions today. But I am sorry he does not know what was the rate of sugar on that day, what was the rate recommended by the Tariff Board and what is the present rate of sugar.

**THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR :** Sir, the Select Committee themselves who recommended the lower rate were not able to ascertain facts and base their recommendation on them ; all that they did was simply to calculate the rate from figures furnished to them by the Government.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** I am not supporting or opposing the Select Committee. I am just replying to the arguments of my Honourable friend. Then he talked about profit and the cost of production of sugar. I repeatedly asked my friend to give the cost of production and the margin of profit, but he could not give them. Sir, all this has made confusion worse confounded. Then, Sir, my friend, the last speaker, made certain observations which I think are quite strange. He said that he had seen a prospectus issued saying that the profit would be Rs. 3 a maund. We all know how rosy pictures are made out in prospectuses just to attract shareholders. He should have talked about the results and not about the hopes raised in prospectuses. Then he said that in spite of this duty, ten new factories are going to be started. The reason why ten new factories are going to be started now is that the companies were registered long ago, the share capital of most of them is, if not fully, mostly subscribed, orders for machinery have already been placed and there is no other alternative for them but to start the factories. Then he talked about the utilization of the molasses. I entirely agree with him and I believe that the factory owners

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are making frantic efforts to get the molasses used in some way or other, but they cannot do so unless they receive the support that people in other countries get in that respect. I will give facts and figures to show that in other countries Government have by legislation compelled the petrol companies to mix a certain percentage of molasses in petrol. I would like to ask my Honourable friend whether the Government of India have done anything in that direction or are the Government of India prepared to enact the same legislation as in other countries for the utilization of molasses in mixing petrol? It is no pleasure to the factory owners to throw their molasses away and spend a certain amount in getting rid of it rather than getting some price for it. This is all I have to say so far as my Honourable friend who supported the consideration of this Bill is concerned.

Now, I would seek the indulgence of the House to narrate a brief history of the sugar industry from the very beginning. I assure the Honourable House that I shall be as brief as possible and will not try their patience. Sir, India is the birthplace of sugar and we were making white sugar when other countries did not know what it was. The word is not new to us. It is found in our religious, holy, books. This commodity was produced here and India was proud in exporting sugar to other countries. Sir, I would read a portion from the book *The Indian Sugar Industry* that has been very recently published and Honourable Members will know when sugar was manufactured in India.

"It would thus be clear that India is the birthplace of the manufacture of sugar from sugar-cane. Sugar (*sharkara*) is mentioned in the *Shastras* as one of the five *amritas*, i.e., celestial sweets".

Then, Sir, I will give a few figures to show that India was exporting sugar when other countries in the world did not know what white sugar was.

THE HONOURABLE THE PRESIDENT: What is the name of that book?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: *The Indian Sugar Industry*, by Mr. M. P. Gandhi, M.A., Secretary of the Indian Sugar Mills Association.

The export of sugar during 1874-75 to 1878-79 was as follows:

						Cwt.	Rs.	
							(In thousands.)	
1874-75	..	..	..	..	..	498	31,92	
1875-76	..	..	..	..	..	420	25,39	
1876-77	..	..	..	..	..	1,093	92,51	
1877-78	..	..	..	..	..	844	74,58	
1878-79	..	..	..	..	..	279	20,43	

So, Sir, we find that India used to export sugar instead of being dependent on foreign countries. What do we find in the 20th Century? The import of sugar began in India and year after year it increased. If Honourable Members will turn to page 18 of the report of the Tariff Board, they will find

how Java and other foreign countries began to import their sugar into India taking advantage of their improved methods and better quality of sugar :

	Tons.			
	(In thousands.)			
1908-09 to 1910-11 ..	..	..	..	2,161
1911-12 to 1913-14 ..	..	..	..	2,435
1914-15 to 1916-17 ..	..	..	..	2,585
1917-18 to 1919-20 ..	..	..	..	2,864
1920-21 to 1922-23 ..	..	..	..	2,871
1923-24 to 1925-26 ..	..	..	..	2,893
1926-27 to 1928-29 ..	..	..	..	2,966

All this shows that year after year the import of white sugar into this country used to increase. Now, Sir, the next question is whether the Government of India has thought it proper to levy the duty before or after the recommendation of the Tariff Board ? I will lay figures before this House which will show that the Government of India commenced levying an import duty as a revenue measure from 1908-09 till 1930 when the Tariff Board was set up and the revenue duty was converted into a protective duty. On page 22 of the Tariff Board report, Honourable Members will find that in 1908-09 to 1910-11 the revenue duty was levied at five per cent. ; in 1911-12 to 1913-14 the duty was the same ; in 1914-15 to 1916-17 the duty was five per cent. *ad valorem* to 28th February, 1916, after which it became 10 per cent. and remained so till 1922-23. Then, Sir, from 1923-24 to 1925-26, the duty was raised from 10 to 25 per cent. ; and in 1926-27 to 1928-29 this duty of 25 per cent. was changed to Rs. 4-8-0 per cwt. In 1929-30 the duty was raised to Rs. 6 per cwt. and after that, Sir, the Tariff Board was set up which recommended a protective duty of Rs. 7-4-0. Thus, Sir, we find that up to 1929-30 the revenue duty was levied at as much as Rs. 6 per cwt. and so the Tariff Board recommended only an increment of Rs. 1-4-0 as a protective measure. Sir, the Honourable Members have just told us that the Government has given too much protection to the sugar industry. That is not the case. If the Honourable Members will look at the figures of other countries of the world, they will find that they have levied still higher duties on the import of sugar and not only have they put up still higher duties but they have also helped the industry by giving bounties.

Sir, it was in 1920 that the Government set up a Committee under the Chairmanship of Mr. J. Mackenna, Agricultural Adviser to the Government of India. That Committee made favourable recommendations and I think after a few years' consideration of that report—because the report was kept confidential and nobody for a few years knew what were its recommendations—the Government changed from the percentage to the hundredweight basis. Sir, in this report they strongly recommended the case of India and requested the Government to levy a strong protective duty just as is found in other countries so that the industry may develop. The Government went on considering the matter for a very long time and it was only, as we know, in 1930 that the Tariff Board was appointed to find out if it was desirable to put up a protective duty in order to develop the industry. The Board went

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into the whole question and made a strong recommendation for a protective duty. On pages 52-53 of the Board's report, Honourable Members will find the strong language in which the Tariff Board made recommendations for this duty. They say :

" It may be urged that the protection of the white sugar industry is desirable on other grounds also. Central factories in order to obtain fresh supplies of cane must be situated in rural surroundings. They thus afford very considerable employment to agricultural classes in the period between the *kharif* and *rabi* harvests when agricultural operations are slack "

Then later on they say :

" While then the retention of money in India may constitute a subsidiary argument for protection of the white sugar industry, the case for protection really rests on the importance of cane cultivation in the agricultural economy of India and the measure of protection must be determined with reference to the changed conditions which have been and are being brought about by the introduction of improved varieties of cane resulting in a great increase in the crop outturn. It is necessary on general agricultural grounds to maintain or increase the area under cane and to secure this end an outlet must be provided for surplus cane "

Sir, such was their recommendation and in detail they recommended :

" (27) We propose therefore that the assistance given should be by way of duty. 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 Rohilkhand we propose that for the first seven years the duty should be fixed at Rs. 7-4-0 per cwt. and for the remaining period at Rs. 6-4-0 per cwt. The total protection thus granted would be approximately the same as would result from the imposition of a duty of Rs. 6-9-3 for the whole period of protection.

(28) We recommend that the period of protection should be for 15 years.

(29) Since agreement regarding export quotas appears to have been arrived at by the leading sugar-producing countries, we have with some hesitation 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 cwt. should immediately be imposed "

This was the detailed recommendation of the Tariff Board and on this recommendation the Government introduced legislation in 1932. In that legislation Government made it clear that this duty of Rs. 7-4-0 will be in operation up to 1938 and that again a Tariff Board, if necessary, will be set up for making an enquiry for the next eight years. It was, Sir, on a definite understanding of this, and on the legislative measure, that the capitalists came forward and invested about Rs. 20 crores in the industry. What do we find ? After a lapse of only a couple of years and without any enquiry from the Tariff Board, Government has come forward to levy an excise duty of Rs. 1-5-0 per cwt. Section 3 of the Sugar Industry (Protection) Act, 1932, reads as follows :

" The Governor General in Council shall cause to be made by such persons as he may appoint in this behalf an enquiry to ascertain if the protection of the sugar industry during the period from the 31st day of March, 1938 to the 31st day of March, 1946, should be continued to the extent afforded by this Act or to a greater or less extent and shall not later than the 31st day of March, 1938, lay his proposals in this behalf before the Indian Legislature "

Relying on this section of the Act, people hurried to develop the industry thinking that they must try to get good returns during seven years, and after that when another Tariff Board will be set up, they will know what will be their fate.

I entirely agree with two of my colleagues who have just spoken when they submitted that the public was deceived in this respect and that Government has not acted very fairly. Government certainly ought to have taken note of the facts and figures before coming to this duty of Rs. 1-5-0 per cwt. As it has been stated by two or three speakers and especially by the last speaker that this industry has been much favoured by Government in giving such high excise duty, I would place certain facts and figures to show that other countries have still higher import duties on sugar. In India, this duty *plus* the surcharge of Rs. 1-13-0 comes to Rs. 9-1-0 per cwt. In Germany, the duty is Rs. 15-15-0 per cwt., that is, almost double of what it is in India. In France, Rs. 14-4-0 per cwt.; in the United Kingdom there is not only an import duty but Government has spent millions of pounds in helping the industry by giving large bounties. In the Irish Free State, the duty is Rs. 9-5-4 per cwt.; in the United States, Rs. 8-2-6 per cwt. So, Sir, several other countries have got a higher import duty on sugar than India. What is the object? The object is not only to develop the industry but to help the agriculturist. Sir, after the passage of this Act, a large number of factories were started in India. I shall show how these factories sprung up. In 1919-20, there were only nine factories; in 1921-22 and 1922-23, there were 20 factories; from 1923-24 to 1925-26, there were 23 factories; in 1926-27, there were 25 factories; in 1927-28, there were 26 factories; in 1930-31, there were 29 factories; in 1931-32, 32 factories. But after the passage of this Act, the number rose from 32 to 57 in 1932-33; and in 1933-34, the year we have just closed, the number of factories rose to 135. That is to say, as many as 70 factories were started in the financial year 1933-34. Sir, as we all know, when a factory is started, it takes time to get the machinery set up, to know what are the defects in the machinery and how to rectify it. Out of these 70 factories that have been started in 1933-34, most of them could not be run for the full season, and the majority have worked properly only for the last three or four months. Sir, as many as eight factories out of these 70 have not yet been able to commence work and are lying incomplete. I can give the names of each and every factory which is incomplete yet and has not started work. In the face of all this, Sir, we find this high excise duty of Rs. 1-5-0 per cwt. being imposed. Proper opportunity has not been given to these factories to develop. What we find is that much is being said about efficiency. These

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factories have not even started properly, so how can you expect them to run efficiently? It would have been in the fitness of things if Government had made exceptions in the case of factories which have not worked for two seasons, or something like that. It is reasonable to allow two years to a new factory to ensure its efficiency, to enable it to find out its defects and to complete all necessary erections. What will this produce on the minds of capitalists in India? When Government gives protection to other industries the capitalists will feel shy of investing his capital, because he will remember that in the case of sugar Government fixed a definite period of protection and before the end of two years Government ignored it and levied an excise duty. So they will not invest money in other industries because Government might come in and do the same thing there. So this measure will have a far-reaching effect on the development of industries in India. It is not only the sugar industry which this measure hits. After the passage of this Bill and the levy of this high excise duty the capitalists will consider not once or twice but a dozen times before investing money in other industries.

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And what will be the result? The result will be that India industrially will take centuries to develop and stand on its own legs. It will always have to look to foreign countries for its manufactured products and will not be self-contained.

Now, Sir, it has been said by the Finance Member that so much loss has been incurred in the revenues of Government on account of this protective duty. I admit the Government has lost about Rs. 20 to Rs. 30 crores in import duty. But they did it with their eyes open. When the Government gave protection to this industry it was a foregone conclusion, and it was indeed the object of the protective measure, that imports of sugar would stop, and if that happened Government naturally would lose. If the question of revenue was alone in the minds of the Government of India and not the development of the industry, why did they pass that protective measure and raise the duty? Therefore this argument that Government has lost so many crores by way of import duty does not appeal to me at all. They have done it with open eyes and if they want this industry to stand upon its own legs they should face that deficit. On the other hand Government has also gained. Against the loss of the import duty Government has gained enormously in other ways. A large amount of machinery has been imported on which they have got 10 to 20 per cent. duty. Now, Government might say that is finished; the machinery has been imported and we have got the duty and now there is very little hope of getting more mills set up in India and in future we will not be compensated by this duty on machinery. That is what they would say. I would submit that that is not the case. The factories which have been set up require extensions and renewal of parts every year, and there must be a continuous import of machinery and parts. It will not pay so much but it will pay something every year, and with so many factories set up there will be a steady increase in parts and new machinery imported.

**THE HONOURABLE SIR ALAN PARSONS:** Is the Honourable Member suggesting that in future we are likely to get more from customs duty on imported sugar machinery than we have done during the last two years?

**THE HONOURABLE RA BAHADUR LALA MATHURA PRASAD MEHROTRA:** I have explained, Sir, that they will not get as much as they have got in the last two years, because in these two years the whole machinery was imported. But now they will be getting customs duties upon machinery and parts worth, say, a couple of crores or a crore and a half a year, which will be required for additions, alterations and substitutions of parts of machinery already set up. In this respect also the United Kingdom is the greatest gainer, so far as the import of machinery is concerned. I will just place a few facts to show that the machinery has been enormously imported from the United Kingdom. So both the Indian Government and the Government of Great Britain have gained in the development of this industry. In 1928-29, 16,030,000 worth of machinery was imported from the United Kingdom; 2,300,000 worth from Germany and 6,100,000 from France. In 1929-30, 859,000 worth from the United Kingdom; 800,000 from Germany; 300,000 from Belgium and 1,300,000 from France. In 1931-32, 10,082,000 from the United Kingdom; 2,300,000 from Germany; 2,300,000 from France. In 1932-33, 1,948,000 from the United Kingdom alone; and in 1933-34, 16,689,000 from the United Kingdom and



from no other country. So, Sir, Honourable Members will find that machinery worth some crores of rupees has been imported from the United Kingdom and thus there is a mutual gain to both.

**THE HONOURABLE THE PRESIDENT :** Does that all refer to sugar machinery ?

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** Yes, Sir, I am quoting about sugar machinery only. Then, Sir, there has been an enormous development so far as the cane area is concerned and by that development the agriculturist of this country, the landlords as well as the Government, have all gained indirectly from the development and protection of the sugar industry. I will quote the latest figures for 1933-34 about the increased acreage in all the provinces on account of the development of the sugar industry. Sir, the position as at present about the acreage of sugar crop in all the provinces is as follows :

						Per cent.
United Provinces	..	..	..	..	..	51.8
Bihar and Orissa	..	..	..	..	..	9.9
Madras	..	..	..	..	..	3.6
Punjab	..	..	..	..	..	14.6
Bengal	..	..	..	..	..	7.2
Bombay	..	..	..	..	..	3.3

The total acreage of sugar-cane is about 3,305,000 acres. Sugar-cane, we all know, is the principal and paying crop nowadays, and any tenant who has got one acre of sugar-cane can pay his dues for the rest of the land for the whole year; and so the tenants have gained. The landlords cannot realize their dues in the present depressed condition, except from the development of this industry and the landlords can get the full amount of dues from tenants who have sugar-cane; and consequently the Government gets a large percentage of land revenue in the area where sugar-cane has been developed. Besides, the Government also gets in my province a large amount as canal dues for the water taken for irrigation of the cane area. So, Sir, the Government has been a large gainer in other respects if they have lost a few crores in the way of import duty as a protective measure. Then, Sir, there is another important aspect of the development of this industry, by which if Government has not gained in money it has gained in reputation in decreasing the number of unemployed. So many sugar factories have sprung up; they have employed a large number of staff, both educated as well as labourers, and in this way they have relieved unemployment by the development of the sugar industry. The industry is giving employment to about 1,500 people qualified in chemistry and mechanical engineering and 100,000 factory workers in these days of unemployment. This industry has found a new cash market for about 600,000 tons of sugar-cane worth about Rs. 6 crores which gives employment to about half a million agriculturists. This is another aspect of the question in which Government has given its moral support, if not in money, to so many millions of people in developing this industry. When the Government was going to impose this excise duty, it was the primary duty of the Government to find out from the Tariff Board whether the results set out by the Board have been reached and the time has

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come for levying this duty. The Tariff Board had fixed a certain price for sugar and if that price was retained in India it was proper for the Government to take up this question of levying an excise duty. But we find that that price has not been reached yet and the Government has come forward with this excise duty. The Tariff Board after taking everything into consideration had fixed the price of sugar at Rs. 9-5-9 till 1938 and after 1938 they fixed the price of sugar, upon which their calculations were based, at Rs. 7-12-5. Up to the month of February when the excise duty was not levied the price of sugar was Rs. 7-12-0, which the Tariff Board considered would be the price at the end of 15 years. Consumers therefore were not suffering, the mills were not getting that price on which the Tariff Board had made calculations and in spite of all that we find that this duty has been proposed. Sir, I will give details as to how the price was worked up by the Tariff Board at Rs. 9-5-9.

THE HONOURABLE THE PRESIDENT: Are you going to read the whole of that book to the House?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Only certain portions, Sir, which are very necessary. If you will not allow me, Sir,—

THE HONOURABLE THE PRESIDENT: No, no. I do not say anything.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: I will change from that book to the report of the Tariff Board. At page 69 they have worked out the details as follows:—

						Per maund.				
						Rs. A. P.				
Cane	..	..	..	..	..	5	8	10		
Other raw materials	..	..	..	..	..	0	2	0		
Labour	..	..	..	..	..	0	8	0		
Power and fuel	..	..	..	..	..	0	1	3		
Supervision, office charges, etc.	..	..	..	..	..	0	11	3		
Current repairs	..	..	..	..	..	0	7	0		
Packing	..	..	..	..	..	0	2	9		
Miscellaneous	..	..	..	..	..	0	10	0		
Total						..	8	3	1	
Deduct—value molasses						..	..	0	10	8
								7	8	5
Overhead charges and profit at 10 per cent.						..	..	1	13	4
Total						..	..	9	5	9

And in this way, Sir, they came to the conclusion that the fair selling price of sugar ought to be Rs. 9-5-9. If we add the price of molasses which we deducted, i.e., ten annas and nine pies, we find that the price will be still more, that is, about Rs. 10. But, Sir, when sugar is being sold at about Rs. 8 it was not proper for Government to come forward and levy an excise duty of Rs. 1-5-0 per cwt. Besides, Sir, at that time Java was importing its sugar at Rs. 4 a maund exclusive of the import duty. And so the Tariff Board

considered that if Indian sugar is being sold at Rs. 9-5-9 the mills would be able to compete with Java and they would be able to get a profit of ten per cent. But, Sir, Java has commenced to import sugar at a still lower price. At present Java is importing sugar at Rs. 3-2-0 instead of Rs. 4 as imported at that time and therefore the Java prices of sugar in this country are still more reduced. The Indian mills naturally had to reduce their prices. Besides that, when so many mills have sprung up here, there has grown up internal competition. Considering all that, when mills are selling sugar at about Rs. 8, I am afraid they are hardly making very much profit, as my Honourable friend, Sir Nasarvanji Choksy said, and who seemed to think they made a profit of Rs. 3 a maund. I fancy, Sir, that the mills would be prepared to give him a contract and take only a rupee or Rs. 1-8-0 a maund instead of Rs. 3 and leave the management in his hands.

Sir, we all know that all the Provincial Legislatures which are intimately connected with the sugar industry have passed Resolutions against this excise duty. There was an adjournment Motion in the United Provinces Council and there was such strong feeling among the Members that it was passed without Government challenging any division. There was a Motion in the Punjab Legislature. There was also a Motion in Madras. And almost all the Chambers of Commerce have sent resolutions and representations against this duty. Therefore, Sir, when there is such opposition to this Bill, I think it is in the fitness of things that Government should not press it at Rs. 1-5-0 but consent to the recommendation of the Select Committee to reduce it to Re. 1 at least. And as the Government has, by an assured majority, as my colleague has said, in the Legislative Assembly, turned down the Select Committee's report and passed the legislation at Rs. 1-5-0 per cwt. we are not in a position to support the consideration of this Bill and therefore, Sir, I oppose the Motion.

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The Council then adjourned for Lunch till a Quarter to Three of the Clock.

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The Council re-assembled after Lunch at a Quarter to Three of the Clock, the Honourable the President in the Chair.

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**THE HONOURABLE THE PRESIDENT:** The debate will now resume.

**THE HONOURABLE SAIYID RAZA ALI** (United Provinces: Nominated Non-Official): Sir, the presentation of the budget took place in this House on the 27th February and the discussion that followed demonstrated how short-sighted it is to try to be magnanimous in the adjustment of financial relations. The Finance Secretary on that occasion pointed out that if it was desired to transfer half of the proceeds of the jute duty to Bengal, it would be necessary to supplement the budget by raising fresh taxation—

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA:** It was in connection with matches.

**THE HONOURABLE SAIYID RAZA ALI:** I believe it was in connection with the excise duty both on sugar and matches. This is my impression to the best of my recollection.

**THE HONOURABLE SIR ALAN PARSONS :** Sir, it will clear up matters if I explain the position. I said that quite apart from our proposals for assisting Bengal there was a deficit of Rs. 1,58 lakhs to be filled, and Government proposed to fill that deficit in certain ways including the present sugar duty. They also proposed to give assistance to Bengal but could not do so unless they further fortified their position. They proposed to fortify their revenues by the imposition of the match excise duty. Of course, if we had lost the sugar excise but not the match excise, we should equally not have been able to assist Bengal. The assistance to Bengal depends to this extent on the match excise duty, that had it not been for the necessity of assisting Bengal, the match excise duty would not have been proposed at this stage. On the other hand, I must make it clear to my Honourable friend that he is right, if he thinks, as I understand, that supposing we had not got this sugar excise duty, we should of course be short to the extent of about Rs. 1,40 lakhs and to that extent we should not be able to carry out our proposals for assisting Bengal.

**THE HONOURABLE SAIYID RAZA ALI :** If I have followed the explanation just made by the Honourable the Finance Secretary, I believe it comes to this. Here is the Government confronted with the present financial difficulties. They propose to transfer a share of a certain tax to Bengal, and unless other sources of revenue suddenly become capable of considerable expansion, of which I do not think there is any hope just at present, Government would not be able to carry out their proposals with regard to Bengal, unless this House agreed to the two Bills, namely, the Sugar (Excise Duty) Bill and the Matches (Excise Duty) Bill. If that is so, Sir, I believe I stated the position accurately. My point was that at that time the provinces that had welcomed, or at least acquiesced in, the proposals of Government, were Bengal and the United Provinces. But having regard to the turn the events have taken, it seems that while I do not grudge the good luck of Bengal and my Bengal friends in the form of this sudden gift which is going to be made to that province by the Government of India, the fact remains that the burden of that gift is to fall principally on the United Provinces and Bihar and also very largely on the Punjab. I do not think the effect of the financial proposal of the Government of India was fully realized when the budget was presented. The position, as has been made clear from the course of the debate today, is that if Government are going to carry out their financial obligations, they must have money. How is that money to be had ? There are no sources of revenue to be tapped except the sugar and match industries. The position of those provinces which are going to be hit hard is one that I am sure would enlist the sympathy of the other provinces. I do not wish to go into the history of the excise duty on sugar. It was vividly presented by my Honourable friend Rai Bahadur Lala Mathura Prasad Mehrotra. Fortunately, I am not interested actively in the manufacture of sugar except the interest that I have as a citizen of the province from which I come. But, stated broadly, the position is this. How far is it right for Government to put an excise duty on industries which may be called infant industries ? For the time being I will confine myself to the production of sugar. It seems to me that if the financial position of Government enabled them not to put any excise duty but to continue the protection that was given to the sugar industry in 1932, that would have been a course productive of very pleasant and hopeful consequences to the industry. Unfortunately, it seems, that is not going to be.

It is no doubt open to the authorities of the provinces that are going mainly to suffer, if I may use the word, from the Government's proposals to turn round and say, " After all, we are quite prepared to help Bengal to the best of our ability, but by no means shall we undertake the full burden in order to relieve the financial stringency in Bengal ".

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK : Does my Honourable friend realize that Bengal has a claim to the jute duty ?

THE HONOURABLE SAIYID RAZA ALI : I am told that Bengal has a claim. If that claim comes before this Council this House would be in a position to express an opinion on the merits. As it is, no tangible proposition has been put forward in the shape suggested by my Honourable friend.

THE HONOURABLE MR. HOSSAIN IMAM : This matter came before the House twice in connection with the consideration of the Round Table Conference discussion, and this was a basic point in the structure suggested by the third Round Table Conference.

THE HONOURABLE SAIYID RAZA ALI : I do not know what happened. Anyway I do not want to digress from the point which I was pursuing except to say that if the claim of Bengal in respect of the jute duty were allowed, various claims would come up from various provinces which it would be exceedingly difficult for Government to resist. I could cite a number of instances but I do not think it is necessary for the purposes of this debate. I hope I have not unnerved my Honourable friend from Bengal ? My position is that if we can legitimately help Bengal without incurring very heavy financial liabilities this House ought to do so. But it appears from certain figures put up in the course of the debate that there is a danger of the sugar industry being very hard hit if the Government's proposals are accepted. On the other hand, it is true, I must admit, that sugar factories have made decent profits during late years. My Honourable friend Sir Nasarvanji Choksy referred to a certain prospectus. I do not think it is necessary to illustrate my point to examine too closely the wording of that prospectus. I believe the prospectus was no more than a sort of puffing which is very often indulged in by those who start a new factory. But if profits in recent years really had been between 20 and 30 per cent., one would expect to find half of those who have any spare money in India starting sugar factories. No doubt sugar factories have made decent profits in recent years. The question at the same time is as to how Government's proposals are going to affect those factories in the future. The position is an extremely difficult one and I believe, perhaps, on the whole, the best thing would be for this House to play the role of optimists. We hope that, though the sugar industry is going to be affected and going to be affected to an appreciable degree, it will not be so hard hit as to lose the ground which it has made during recent years.

In passing I may say a few words about those who are engaged in the manufacture of what is known in the Bill as *khandsari* sugar. It is common knowledge that the process adopted by *khandsaris* for the manufacture of sugar is a very coarse and ancient process. My Honourable friend Rai Bahadur Lala Mathura Prasad Mehrotra referred to the manufacture of white sugar in ancient times in India. I for

3 P.M.

[Saiyid Raza Ali.]

one should not be in the least surprised if the process adopted by *khandsaris* for producing sugar should be the same as used to obtain in India 3,000 years and more ago. That no doubt is a great handicap and that leads to the wastage of a large amount of material and energy. The result consequently is that the *khandsari* is not in a position to get the same output out of sugar-cane juice as those who manufacture sugar by modern processes in a sugar factory. Now, having regard to the two processes and to the want of efficiency and other dilatory and wasteful processes adopted by *khandsaris* and comparing that want of efficiency with the efficiency displayed by the managers and owners of the modern factories, to me it seems that the difference in duty that is incorporated in clause 3 of the Bill really is less than it should be. It is contemplated in the Bill that *khandsaris* should pay a duty of ten annas per cwt. as against a duty of Rs. 1-5-0 per cwt. paid by factory owners. The difference between the two scales of duty is no doubt considerable. But, Sir, I take the view that ten annas is an excessive sum for *khandsaris* to pay having regard to the conditions under which they manufacture sugar. I think if factory sugar has to pay Rs. 1-5-0 per cwt., proportionately we can not expect the *khandsari* to pay more than something between seven and eight annas a cwt. on the sugar manufactured by him. It is also sometimes taken for granted that the *khandsari* venture, which is a sort of cottage industry in the process of manufacture of sugar, deserves no help either from Government or from the country. That is an illusion which should be dispelled at once. After all, as has been pointed out—I think by the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra—the *khandsaris* themselves are agriculturists who supplement their agricultural efforts by setting up a sort of sugar business. That no doubt is the position in the United Provinces, especially in the western districts of the United Provinces, which are the home of this industry. The process, as I remarked, is a very ancient one but the advantage of the system is that it does not require a very large sum of money for the starting of operations. The process is a very simple one. They use open pans instead of vacuum pans and no technical skill of a high order is required. Usually a *khandsari* is not a rich man and generally he is a middle class man and he invests something between Rs. 4,000 and Rs. 10,000, sometimes, perhaps, a little more, in the business. He supplies a great need; he supplies a real need, because there are many people who would not touch the sugar that is turned out by a factory. If the principle of supply and demand is taken into account, the *khandsari* supplies a real need. On the other hand, he is a middle class man with a small capital and if want of sympathy is shown to these small industrialists—they hardly deserve that grandiloquent name though—the result will be that a very large number of men would be thrown out of employment. Therefore I submit, whether now or in future legislation, every care should be taken to see that this class of people is treated with sympathy and not subjected to exactly the same amount of burden which is put on factory owners. It is very encouraging, Sir, that the Government of the United Provinces—I take it at the instance of the Government of India—have decided to hold an inquiry into the whole system of manufacture of *khandsari* sugar. I hope the enquiry will be completed soon and the results will be such as to enable the Government to give material help to this class of people.

There is just one more point, Sir, on which I think I should say a word or two. The bringing of factory sugar from Indian States to British India is allowed on payment of a duty equivalent to that which is paid in the form of excise duty. Now, having regard to the fact that the boundary line between British India and a very large number of Indian States is at times only imaginary, the two territories are interspersed and that it is easy to remove from one territory into another, my fear is that it would be extremely difficult to enforce the payment of this duty. Efforts would be made by persons interested in sugar manufacture in Indian States to bring it secretly, without payment of duty, into British India. I hope that would not happen on a large scale, but if that did happen, that would affect the manufacturer of this commodity in British India very adversely indeed. Now, Sir, the provisions of clause 6 of the Bill vividly remind one of the urgent necessity of having a Federal Legislature at as early a date as possible. If, instead of being a House whose function it is to legislate solely for British India, if, instead of this House there had been a Federal Legislature, it would have been competent to devise means which would work as effectively in the Indian States as in British India. I hope that the best course to adopt, as has been pointed out in the statement of objects and reasons, is to persuade the rulers of those States where sugar is manufactured by factories to levy the same scale of duty on sugar produced there as the duty which is leviable on that commodity in British India. That, I believe, would be more satisfactory than a provision allowing the bringing of sugar from Indian States into British India. Having regard to the great importance of the measure which is before the House, I thought it necessary to put one or two considerations, with regard to one of which at least there is a great element of doubt in my mind, before this House.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, I am not a protectionist by choice, but necessity has sometimes compelled me to support protective measures. As is known to this House, I have more often criticized than admired the policy of protection, and as such if I rise now to say a few words in support of the industry, it should be understood that there must be some compelling causes which have made me do so. Sir, while I agree with the Government that their disappearing source of income from import duty makes out a case for them to find another source to get money, I do not see how they can say that they can impose an excise duty irrespective of the fact whether the measure of protection promised is being given or not. Although on paper they have a good case to state, that they are giving the measure of protection as promised by the Tariff Board, but if we analyse all the facts we are compelled to admit that the passing of four years has brought about certain new points which were never considered by the Tariff Board. Another thing to which I wish especially to draw the attention of the Government is that protection to an industry is tantamount to giving help from the State and as such I have always held that it should justify Government's interference in the management and other matters connected with that industry. I very much regret that when this Bill was introduced the Government in its wisdom did not think it proper to refer it to a Joint Select Committee. We would then have been able to know much more about the Government point of view than we have been able to find from the introductory speech of the Honourable the Finance Secretary. Sir, when the Government gave protection, although the protect-

[Mr. Hossain Imam.]

ing Act was passed in the Delhi session of 1932, but in counting the period the Government took one year before that date—1931-32—although no protection Bill was passed then it was counted in the 15 year period which was asked for by the Tariff Board. That, Sir, is an argument which cuts both ways. The Government by accepting the first year as a protected period laid themselves open to the charge that they have not carried out their promise. It will be remembered that in 1931 in the second Finance Bill we increased the duty to Rs. 9-1-0 per cwt. before we passed this Tariff Act and a reasonable supposition from that which the industry could draw was that this duty would continue in effect as long as the surcharge was not withdrawn from other commodities. I admit, Sir, that Sir George Schuster in introducing his 1933-34 budget did utter a word of warning, but that warning was not explicit. What is the result of this more than sufficient protection as the Honourable the Finance Secretary regards it? The effect was that we had within a short period of two years so many factories started that we were able to supply India with nearly 80 per cent. of its requirement of white sugar. That, Sir, is a good thing because it involves the retention of money inside the country. But it has not been an unmixed blessing. Growers of rice had to suffer. Java, which was formerly a consumer of considerable quantities of Indian rice, is now out of the market and there has been a material reduction, almost half, in the amount of rice which we export to Java. The Bill which the Honourable Member has introduced imposes an excise duty of Rs. 1-5-0 per cwt. and the margin for the protective duty which was asked by the Tariff Board was the same. But at the same time when the Tariff Board made the inquiry, as my Honourable colleague from Bihar has pointed out, the income-tax was not at the figure at which it is now. The machineries were not subjected to import duty. All these factors, Sir, have materially altered the basis of the protection and reduced the margin left over for the industry. Add to this, Sir, the fact which is admitted on all sides, that molasses do not fetch a high price. If you take into consideration the fact that ten annas was debited from the cost price of the sugar as a recovery from molasses, that entitles it to higher protection than has been promised. In this connection, Sir, I would have liked the Government in the Commerce Department to build more tanks for the conveyance of molasses from factories. I am told, Sir, that there are very few tanks for conveying molasses. The result is that it is almost impossible to transport it at economic rates. If the Government wants to impose this duty and if they want to see that the industry which they have protected remains under protection, it is their duty to increase the stability of the industry. In that connection, Sir, I should like to draw the attention of the House to the fact that the prosperity of this industry is dependent on the good quality of the sugar-cane that can be produced. The Tariff Board had recommended, Sir, that Government should spend something like Rs. 10 lakhs on agricultural research work. Government has been doing something, we admit. But that something is not sufficient. If we improve the variety and the productivity of the soil, we will be able to cheapen the product which is accountable for the cost of sugar. The fact that the internal competition has brought down the price to such a low level is, from the consumer's point of view, a thing greatly in favour of the industry. But, Sir, I am afraid the imposition of this excise duty has affected the consumer. As far as I have been able to



study, Sir, the announcement that the excise duty will be imposed has caused the price of duty-paid sugar to rise by about twelve annas a maund. This means that the burden which the Finance Department regarded as falling on the industry has been shifted from the industry to the consumer—

THE HONOURABLE SAIYID RAZA ALI : It always does.

THE HONOURABLE MR. HOSSAIN IMAM — and it is we, Sir, who in the end will have to foot the bill. I therefore think, Sir, that this excise duty was not well founded because it has become a shifting tax. We, Sir, would like the Government to watch the growth of this industry and if necessary to pass legislation stopping further uneconomic expansion of the industry. In provinces like Bihar and the United Provinces there are too many sugar factories for them to be economically run. We ought to have some power vested in the Government to stop the starting of further factories in those areas. The Government may very well permit the establishment of factories in areas which are not covered and where there is a genuine demand. The industry has laid a claim, Sir, to some reduction in freight on long distances. That is a point, Sir, which ought to be seriously considered by the Commerce Department. They may even increase the freight on smaller distances and reduce it on longer distances so that the price of sugar may become more stabilized and the difference which now exists between places near the factory and distant from the factory may disappear.

Then, Sir, Government would be well advised to consider whether it would not be advisable to have a sort of zone arrangement whereby the products of certain factories could be earmarked for consumption in certain centres. That, Sir, I know will be characterized as interference with the liberty of the trade, but when we are dealing with such a hugely supported industry which is costing us so much, it is essential that it should be organized somewhat in the manner in which the N. R. A. is doing in America. I believe, Sir, that the industry has been ill-advised to start a propaganda against *khandsari*. This is a wrong policy—that in order to save our skins we should try to have somebody else offered as a sacrifice. From the speech which the Honourable the Finance Member gave in another place we have reason to believe that probably he had not considered *khandsari* as coming under the purview of this Bill, or if he considered it at all, he did so to so small an extent that when the suggestion was made to him for the first time, he welcomed it as something which could be looked into from the point of view of the Government. I welcome, Sir, the news that the Government have now reduced it by half, although I would have much preferred that it should be left free rather than that it should be taxed half as much as other sugars, because the way in which they manufacture makes it impossible for them to get the same extraction of sugar as the mill industry do. Sir, in this connection, I welcome especially clause 6 of the Bill which empowers the Governor General to impose an excise duty on sugar coming from the States of India—

THE HONOURABLE SAIYID RAZA ALI : Customs duty ?

THE HONOURABLE MR. HOSSAIN IMAM : It is not customs duty. It is excise duty of Rs. 1-5-0. Sir, the Government of India entered into contracts with the Indian States at times when the position was quite different from what it is now. I know of the instance of one State, Sir, where in place

[Mr. Hossain Imam.]

of a payment of Rs. 7,000 per annum they are now giving to that State Rs. 50 lakhs. It is a welcome sign that they are denouncing those treaties without saying so in so many words. I would like to make a suggestion to the Honourable the Finance Secretary about clauses 10 and 11 in which the rule-making power has been given to the Governor General in Council. I do not wish to bring forward any amendment, but I wish to have his assurance that when these rules are made, they will be laid on the table and made available to the Members of the House so that we may discuss those rules, because it is mostly on the rules that the whole carrying out of this business will depend, and therefore, Sir, we wish to have the opportunity of discussing them. This is all I have to say.

THE HONOURABLE SIR DAVID DEVADOSS (Nominated : Indian Christians): Sir, I am really thankful that the Government have seen their way to exempt palmyra sugar from the operation of clause 3. This is a very important point and I wish to say a few words on it. There was a time in the early eighties, when I knew of one district in the Madras Presidency—the Tinnevely district—which exported raw palmyra sugar to England to the extent of Rs. 40 lakhs a year. Within a few years, that is, about 1885 or 1886, bounty-fed sugar from Germany was sent to England, and as England was a free trader, the sugar industry in England was practically killed and by 1890 not a single pound of jaggery was exported to England, not only from the Tinnevely district but also from South Travancore, Godavery, Madura, and other districts from which considerable quantities of raw sugar manufactured from palmyra juice used to be exported.

Sir, it is a very difficult industry indeed. As Honourable Members may not know about the way in which palmyra sugar is manufactured, you will perhaps allow me to say a few words. Sir, palmyra grows to a height of 60—80 feet and the juice is drawn by tapping the flower and tying a pot to it. This is done by only one class of people in the South and they climb the tree, not by a ladder, not by any kind of mechanical contrivance, but by putting the arm round the stem of the tree and going up, that is to say, by contracting the body and then expanding it, just as a worm does. A man can climb only about 30 trees in a day and the juice is collected in pots, and the pots in order to prevent fermentation are smeared with quicklime and the juice is afterwards collected and boiled and raw sugar is made. This involves a considerable amount of labour and fuel in order to convert the juice into raw sugar or jaggery. Since export to England has ceased, this sugar is bought today by some sugar refining companies who manufacture white sugar from palmyra jaggery. In the circumstances, the palmyra sugar cannot bear any excise duty if it has to live at all. I may say that a large number of people depend upon the palmyra industry for their sustenance and I am therefore thankful to the Government for exempting it from the excise duty.

I have only one other observation to make on this Bill, which I wholeheartedly support, and that is the penalty for violation of the rules. In clause 8 you will find that imprisonment is provided for breaches of some of the rules. My objection is this. When you provide very drastic punishment, the object is defeated in some cases for, when a well-to-do man is sought to be

prosecuted, he does his very best to get out of the prosecution and he takes every means in his power not to be convicted. The result is that even courts are averse to punish well-to-do people with any term of imprisonment and even if magistrates impose imprisonment, the appellate courts as a rule let him off with the amount of imprisonment already suffered and impose a fine. My point is this. When you impose such a punishment the object of the Bill is defeated. Here is a man who tries to cheat Government in order to make a few rupees. The proper punishment for that would be to fine him heavily, and if this suggestion is adopted, I think the provisions of this Bill would be properly carried out. In this connection I am reminded of what John D. Mayne wrote years ago in his Commentary on the Penal Code. He said that if the provisions of the Penal Code were strictly put into operation, one-third of the population of India would pass through the jails every other year. Sir, he wrote this, I believe, somewhere about the sixties, as soon as the Penal Code of 1860 was passed. It is more than 70 years ago. Considering the number of offences for which imprisonment is provided by the enactments now in force, I think the number is very, very great. I will simply remind the Government that there is no use in providing such drastic punishments when milder measures would be able to meet the ends of justice as well as the objects in view. Sir, we all know that even in the early part of the last century the death sentence was the only sentence for about 150 offences till Bentham arose and exposed the whole thing. The fear of the death sentence did not stop people from committing forgery and other offences for which the death sentence was the only penalty. But what did the courts and juries do? They always tried to get out of the letter of the law by some means or other. My object is not to say that there should not be sufficient punishment for an offence, but I would ask the Government, especially in cases of this kind, in fiscal enactments intended for raising revenue, to provide as much as possible for fines so that the Act may be properly worked.

With this suggestion, Sir, I have much pleasure in supporting the Bill.

THE HONOURABLE SIR ALAN PARSONS: Sir, I might perhaps deal first, lest it should escape my memory, with the remarks which have just fallen from Sir David Devadoss about the penalties in clause 8.

I entirely agree with him that too heavy penalties, if they have to be imposed compulsorily, defeat their purpose. But under clause 8 there may be all sorts of different offences, ranging from the case of a person who attempts to evade the payment of a few rupees of revenue or who possibly fails to supply certain information to the case of a man who consistently attempts to avoid payment of revenue or consistently supplies false information. Now, in the first class of cases I think it is quite obvious that a very small fine will suffice. In the case of repeated offences of a more grave nature where a fine of Rs. 2,000 has not proved to be sufficient I think imprisonment is all that you can have resort to, and in a section like this it seems to be necessary to provide both for imprisonment and fine. I do not think there is any danger that in imposing a sentence under this section magistrates will not use their discretion properly. I will however bring the point to the notice of the Central Board of Revenue, and possibly they might issue instructions to their revenue officers not to press for imprisonment except in really grave cases. That probably will meet my Honourable friend.

M 1 C 8

[Sir Alan Parsons.]

Of the criticisms which this Bill has met, Sir, I will first deal with one which did not I think find very much support, that by this imposition of the excise duty at the rate of Rs. 1-5-0 we should be destroying the margin of protection promised to the indigenous sugar industry by Government and the Legislature on the recommendation of the Tariff Board. That is a criticism derived I think mainly from certain passages attached to a note on the Select Committee's report, and, as I understand it, the argument is as follows. Admittedly when the Tariff Board recommended that there should be a protective duty of Rs. 7-4-0 or, in present conditions, of Rs. 7-12-0 per cwt. of imported sugar, and when the actual rate of import duty is Rs. 9-1-0, there is a margin of Rs. 1-5-0 which could be taken as an excise, and Government is mathematically correct. But in present conditions, so the argument I understand runs, there is no parity between the price of imported sugar at the ports and the price of Indian sugar, and for that reason some lower figure than Rs. 1-5-0 per cwt. should be taken. Now, with all respect to the Honourable Members who have advanced this argument here and the gentleman who put it forward on the Select Committee, I think it reveals some rather loose thinking. On the facts, so far as my information goes, I think there is a parity of price for sugar of equal quality in Calcutta, at any rate something very near parity. Upcountry, so far again as my information goes, the intenseness of internal competition is really the ruling factor in the price, and the price there cannot be said, at any rate to anything like the same extent, to be based on the price of imported Java sugar. But the intenseness of internal competition has had the effect of reducing the internal price of sugar upcountry, and to that extent, so far from lessening the margin of protection against Java sugar, has made it more difficult for Java sugar to compete. Therefore, the fact that owing to the internal competition there has been a fall of price of Indian sugar internally is no reason for holding that the measure of protection left after this excise has been imposed is less than the measure of protection which the Tariff Board recommended and the Legislature granted. I may say actually that in discussions, and it is well known that I have had a good many discussions myself, with the representatives of the sugar manufacturers, they have not put forward, as far as I can recollect, any suggestion that the measure of protection has been lessened; and in any case if they had any argument to that effect I would suggest that it is a matter on which it is for them to apply for a further investigation by the Tariff Board. That actually, if I may say so, would be the answer which I would give to certain other remarks of my Honourable friend Mr. Hossain Imam when he pointed out that in the four years since the Tariff Board reported conditions have changed very largely. It is true that they have changed. But in this House mention has I think only been made of those changes in the conditions which have been adverse to the Indian manufacturer and not of those which have been in his favour. I refer particularly to the argument from the fact that molasses now commands practically no market and no price, and I think my Honourable friend has referred to the fact that there is now a higher duty on imported machinery.

This brings me to my second point. If I have carried the House with me on the first that we shall in no way impair by this duty the protection given to the sugar industry, then the question arises, with the fall in price which intense

internal competition has caused can we impose an excise duty of Rs. 1-5-0 and still leave the efficient sugar manufacturer with a reasonable profit. Here I would refer to certain figures given by the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra. He quoted those from the Tariff Board report, which worked up to a total cost of production in the earlier stage of protection of Rs. 8-3-3 per maund. Now, for the purposes of this Bill, or actually for the purpose of determining their own proposals, the Government had similar figures worked out altered as far as their information went in accordance with present day conditions. For example, instead of the ten annas eight pies taken by the Tariff Board as the price of molasses, they took nil as the price of molasses. They allowed in these figures for changes in the cost of labour, rates of interest on working capital and so on. I do not propose to weary the House with all the details because if they were to follow me they would have to be quicker at mental arithmetic than I am myself. But the result is this, that leaving aside the cost of cane or other raw material used in the manufacture of sugar, the cost of production in the initial stage of protection according to the Tariff Board's calculations was Rs. 2-10-5, and on our revised figure it is Rs. 2-11-0, a difference of seven pies. That is to say, savings in other respects have covered the loss arising from the fact that practically there is no market for molasses. Government of course did not suggest the imposition of this duty without seeing that it would not irremediably injure an industry which they wish to foster and which they had done their best to protect. They also examined carefully what the present price of sugar is, in addition to the figures as far as they could get them of the cost of production, to see whether with this duty the manufacturer of an efficiently run concern would be able to pay the duty and would also be able to earn for his shareholders a reasonable profit; and the conclusion they reached before the reaction on the price of sugar occurred after the announcement of the duty was that he could certainly do so. Even based on the figures of fair cost of production estimated by the Tariff Board but corrected to present-day conditions—I may say that we consider them now too high—according to our calculation it is possible for a factory which produces 50 per cent. of first and 50 per cent. of second quality sugar—the better managed concerns make up to 80 or 85 per cent. of the first and 15 or 20 per cent. of the second—the efficient manufacturer could pay five and a half annas a maund for cane and still earn ten per cent. dividend and have, I think, about three per cent. over. If they pay six annas a maund for cane, they could earn about an eight and a half per cent. dividend. Honourable Members must realize that these are estimates, but they are estimates made on the best information available. When I add to that that since this duty was announced according to our information the price of sugar has risen not perhaps as high as my Honourable friend Mr. Hossain Imam stated, but the figure I was given was six to seven annas a maund, then there is no doubt whatsoever that the efficient factory can pay this duty and can still earn quite a reasonable profit—ten per cent.—for its shareholders. On those grounds I suggest that this proposal is fully justified.

The next argument that I would like to turn to is the one which was very ably advanced in his short speech by my Honourable friend Sardar Buta Singh and in a somewhat different form by my Honourable friend Nawab Malik

[Sir Alan Parsons.]

Mohammad Hayat Khan Noon—namely, the argument that the Bill is premature. Neither of them objected to the imposition of a sugar excise duty at the right time. But the Honourable Sardar thought that if we left the industry alone for a little longer time it would be able to sell its sugar cheaper and the consumption of refined sugar in India would increase and then if we did impose the duty we could expect a bigger yield from it. That I think is a reasonable argument. The Honourable Nawab Malik Mohammad Hayat Khan Noon took, I am afraid, a more gloomy view. He suggested that in the province from which both he and I come the factories had not yet had time to start properly and that by the imposition of this duty not one of them would be able to pay anything to the shareholders. I would like to say this with regard to new factories. That argument to a certain extent is based on the assumption that a new concern must necessarily expect to earn profits from the start—if I were myself a shareholder in a new concern I should not expect to do so. My general experience is that you have to wait for two or three years before you can from a new business expect to get any return at all. Again, my information with regard to a great many of the new factories is this, that they have a very considerable advantage over the old factories, in that their machinery is more up to date and that if they have installed that machinery in time and do not attempt to begin to work it at the exact time when the new crop is coming to hand, if they experiment for six weeks or so before they start their real production, they are in a very good position to earn profits from the very beginning and in a better position than a great many factories who even though they have put aside sufficient for depreciation have not installed the latest machinery. That is only one side of the argument with regard to new factories. In regard to the infant industry argument, I should like to say that I do not entirely disagree with my Honourable friend Sardar Buta Singh in what he would like to see—a cheapening of the price of refined sugar in India and a growth in consumption, with advantage both to Government revenues, to the factories, and to the cultivators of cane. The question really is whether we are not right in stepping in at this stage. When I met the representatives of the Sugar Manufacturers' Association this infant industry argument was put to me very much in the same terms as by some Honourable Members in this House. They said, like Rai Bahadur Lala Ram Saran Das, "Here is an infant industry. You have been feeding it for two years. It is your own baby and now you are going to take away its milk". I have thought about that argument. Like many other Honourable Members here, I have got some small children of my own. I thought about their infantile ailments and I recollected that those ailments came generally in two ways, first, from under-feeding, and, secondly—and equally important—from over-feeding, and the case which I put before Honourable Members is this, that that surcharge of 25 per cent. on the customs duty amounted to over-feeding of this infant industry, so that it is growing too fat and that it is now the time to stop that growth lest it should become unhealthy. Though I admit that it will be desirable for everybody concerned to get a reduction in the price of refined sugar, an increase in factory production, and an increase in our receipts, if we do not give this industry this small jolt now, I feel convinced that in a year or two we should find it necessary to give it a much more severe jolt from which it would find it more difficult to

recover. That is my reply to the argument that we should not take this step at this time and I hope it will be a sufficiently convincing argument to my Honourable freinds.

I do not know that I have much more to say on this point except to refer to the argument of my Honourable friend Rai Bahadur Lala Mathura Prasad Mehrotra. His argument, as I take it, was that we were not here concerned with an infant industry at all. On the contrary, India was the pioneer; this was a very old established industry, in fact the oldest sugar industry in the world. My only reply to that is that in that case what we are doing is not so much lessening the protection given to an infant as removing a certain amount of dope given to an old man!

I am sorry if I did not make myself sufficiently clear in my explanatory remarks in relation to the amount of money which we were going to get from this duty. I tried then to point out that our estimates could not possibly depend on the productive capacity of the factories. They must depend upon what sugar people in India are going to buy and if our estimates of consumption which I then gave for refined sugar of 700,000 tons are correct, and if our estimates of the quantity of imported sugar, namely, about 110,000 tons are also correct, then we could not conceivably expect to get more than Rs. 1,47 lakhs from this excise next year. The contrary arguments are based merely on the note by certain members of the Select Committee to which I have already referred. But, if I may say so, that note seems to me to err in two ways. Firstly, so far as I have been able to follow the figures, it does not take count of the fact that we shall only get 11/12ths of a year's duty next year. Secondly, it assumes that because in the opinion of the authors of that note the productive capacity of Indian factories next year will be 750,000 tons, therefore they will be able to sell 750,000 tons next year from their factories, an assumption which I entirely challenge.

I will just refer in passing to my Honourable friend Mr. Jalan's suggestion that we should in place of this duty put four annas on the salt tax. We must keep something in reserve for another rainy day. At the same time, I cannot entirely agree with him that the sugar excise will to the same extent as the salt tax fall on the poorest class. I think that actually so far as it is found possible for the manufacturers to pass on the tax—and they may not find it possible to do so entirely because of competition among themselves—it will fall most probably on the lower middle classes who at present use partly refined sugar and partly *gur* and other sweetening material. These are the people on whom, if it falls on the consumer at all, the imposition is likely to fall.

Mr. Padshah mentioned the factories which have been damaged by the earthquake in Bihar. I need only repeat the assurance given by Sir George Schuster in another place that we will consider any representations made through the Provincial Government to us by these factories and in my own opinion the main ground on which a concession would be justified is that before the earthquake they had produced a large quantity of sugar and owing to the breakdown of communications they were not able to get rid of that quantity before the excise became leviable as they ordinarily would have done.

[Sir Alan Parsons.]

Lastly, Sir, I would like to mention the case of *khandsari* which was put before the House by the Honourable Saiyid Raza Ali. The position there is this. As was I think made quite clear by the Honourable the Finance Member in the Legislative Assembly and was certainly made quite clear by me in my remarks in this House when introducing the budget—for I have just been able to refer to the passage—our original proposals were intended to catch *khandsari* as much as refined sugar and to put upon it a duty of Rs. 1-5-0 per cwt. The remark I made was that we proposed to impose an excise duty of Rs. 1-5-0 per cwt. on all issues after the 1st of April on every class of sugar including *khandsari* from factories coming under the Indian Factories Act. Our reasons for that proposal were briefly as follows. There is no doubt whatever that *khandsari* sugar does compete with certain factory-made sugars, and we did not see that there was sufficient ground for treating *khandsari* differently. We also did not hold that there was any particular ground of policy for doing so because admittedly the production of *khandsari* is a wasteful method of using cane. The extraction from cane by the *khandsari* method is I think about five per cent. as compared with nine per cent. for factory sugar and it was therefore on general grounds not particularly desirable to encourage *khandsari* as against factory sugar. On the other hand, there is no doubt that *khandsari* commands a lower price and that therefore it would not be so easily able to bear the excise of Rs. 1-5-0. There is also the fact that, though they recommended no special concession for *khandsari*, the Tariff Board did point out that the *khandsari* system of manufacture is of importance in the transitional stage of the industry since it can be undertaken in tracts where, either owing to the absence of communications or the scattered nature of cane areas, manufacture in central factories is at present impossible. It appears therefore that an effort should be made to support the *khandsari* system, both as holding an important position in the agricultural system of the United Provinces and as constituting a means of dealing with the surplus cane which may be produced in the next few years. When therefore in the Select Committee the case of *khandsari* was raised, Government came to the conclusion that they would not resist a proposal to tax *khandsari* at about half the rate of refined sugar and that by adopting that rate they would be doing fairly even justice between the two contesting parties. And to that position, Sir, I must adhere in this House. It will not be possible therefore for me to accept any proposal for revising the rate, as the Honourable Saiyid Raza Ali suggested. Nor, on the other hand, can I accept proposals which would worsen the position of *khandsari* such as, for instance, the amendment on the paper that we should alter the definition of factories to include concerns which have 15 men or more instead of 20 men or more working in them. The effect of that of course would be to bring in more *khandsari* firms; and it would, in my opinion, be particularly dangerous, for we might then be attacking the real cottage industry *khandsari* which it has been our object throughout in the Bill to exclude.

THE HONOURABLE THE PRESIDENT: The Question is :

“ That the Bill to provide for the imposition and collection of an excise duty on sugar, as passed by the Legislative Assembly, be taken into consideration.”

The Motion was adopted.



**THE HONOURABLE THE PRESIDENT :** We will now proceed to the consideration of clauses. Clause 2.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA** (United Provinces Central: Non-Muhammadan): I do not want to move my amendment, Sir.

**THE HONOURABLE THE PRESIDENT :** The Question is :

“ That clause 2 stand part of the Bill.”

The Motion was adopted.

Clause 2 was added to the Bill.

**THE HONOURABLE THE PRESIDENT :** Clause 3.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** Sir, I beg to move :

“ That in sub-clause (1) of clause 3, for the word ‘ April ’ the word ‘ August ’ be substituted.”

Sir, the object of the amendment is nothing but to postpone the period of the duty from 1st April to 1st August and let the factories have this full season without the excise duty. As it is now public property and references were made to it in the other House that a compromise was going to be effected between the Government and the members of the Select Committee by which Government was agreeable to extend the period from 1st April to 1st August

**THE HONOURABLE SIR ALAN PARSONS :** Sir, may I immediately correct the misapprehension of my Honourable friend ? No such compromise as I can say from my own knowledge was made or was suggested in the Select Committee.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** It was made out in the speeches in the Assembly and I have read in the papers—

**THE HONOURABLE THE PRESIDENT :** Order, order. The Government is not responsible for speeches that are made in the Assembly.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** I admit that Government is not responsible but that is what we learned from the speeches. As no Member of this House was on the Select Committee, we cannot say what actually happened. Our information comes from Members of the other House who were on the Select Committee. The terms were perhaps that if Members agreed to Rs. 1-5-0 duty, Government would prefer to get it levied from the 1st August. Sir, we all know that as many as 70 factories have been established this year out of the total number of 135 and, as I said, these factories in the first year take a lot of time in erection as well as in completion. As most of them have started from the 1st of January and some of them in February, and a few of them in March, they are trying to get as much time as possible at the end of the season, that is, they want to continue up to April and May. The old factories which commenced crushing from the 1st of November made profits without the duty and most of them have closed down. But these new factories which have run for a month or

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

two do not want to close but to get as much profit as possible by crushing more. Let us now examine the figures whether after this duty they will have any profit or not. The price of cane that the factories have to pay during these months is never less than seven annas. In some cases it goes up to eight annas also. So, for a maund of sugar, they have to pay a price of about Rs. 5-8-0 for cane. The overhead charges according to the calculations of the Tariff Board come to Rs. 2-11-0. The total comes to Rs. 8-3-0. Over this the factories will have to pay a duty of Re. 0-15-4. So it comes to about Rs. 9-2-4. The present price of sugar is Rs. 8-12-0, but their cost goes to Rs. 9-2-4. I may say that first class sugar may fetch Rs. 9, but the second and third class qualities will not fetch more than Rs. 8-8-0. I have put the average at Rs. 8-12-0. If this duty is levied, the factories working in the months of April and May will, instead of making any profit, have to bear a loss of six to seven annas. These are the figures. Therefore, Sir, it would be very graceful on the part of the Government if after getting Rs. 1-5-0 from the other House they now come down to this minor point and have this duty from the 1st August and let these two months' duty be remitted, as I should say, to these new factories.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan): Sir, I rise to support the amendment moved by my Honourable friend Rai Bahadur Lala Mathura Prasad Mehrotra. He has sufficiently expressed the case of the industry not to require any repetition from me. I rise to bring forward another point. We all know that only 10 or 12 per cent. of the cane produced in India is utilized in the mills, and the remaining 78 per cent. are used in making *gur* or jaggery. In those months when no sugar-cane is available, most of the mills start refining and convert jaggery into sugar. If we pass this Bill, the result will be that immediately the price of *gur* will come down, which will materially affect the prosperity of the agriculturist. It is for this reason that I support this amendment. Further, Sir, there is a saying in Persian,

“ Ta na bashad chizake murdum na goyand chizhā ”,

which means that unless there is some basis for it, a rumour does not crop up. Government are perfectly correct in saying that they did not arrive at any compromise, but in the report of the Select Committee there are two dissenting notes to which I will invite the attention of the Honourable the Finance Secretary—the note of Mr. F. E. James in which he said :

“ I therefore suggest that the excise duty of Rs. 1-5-0 be imposed only as from August 1st, 1934 ”,

and the note of Mr. R. B. Bagla in which he said :

“ I am inclined to the alternate suggestion of keeping the duty at Rs. 1-5-0 but bringing the operation of the excise duty from August 1st ”.

What I infer from these is that probably there might have been a talk of coming to some compromise. But when the majority of the non-officials decided not to have a compromise and the Government, because they were defeated there, have taken revenge in not having the compromise in the House because they found that in the House itself they had better support than in the Committee. It would not be possible perhaps, at this stage, for the Finance Department to accept this amendment, because this will mean that the whole thing will become

ineffective as the Assembly is not sitting and we cannot have the Act. I will advise my Honourable friend to withdraw the amendment—(*An Honourable Member* : “ All the amendments ! ”)—but I would like to ask the Finance Department seriously to consider the proposition whether it would not be possible for them to differentiate between the sugar made from jaggery and that made from sugar-cane by reducing the excise duty on the former because it would be a material help to us and the loss would be so small—I have been told that it would involve a loss of less than Rs. 10 lakhs at the utmost—that it will not materially affect the resources of Government.

THE HONOURABLE SIR ALAN PARSONS (Finance Secretary) : I cannot give a certain reply to my Honourable friend's last suggestion to try and differentiate between sugar made from jaggery and sugar made from cane juice, but my recollection is that the Central Board of Revenue when going into this matter decided that, if not impossible, such an arrangement would be administratively extremely difficult to work. I must of course oppose this amendment not only for the reason which is in the mind of other Honourable Members and has just been mentioned by the Honourable Mr. Hossain Imam, but on two grounds. First of all it is most unprecedented not to apply a duty at this stage till three or four months after the passing of the Bill, and if we did so we should be disturbing, I think most unwarrantably, a great many contracts which have been made. As a matter of fact, I have myself received representations from sugar purchasers that if we were now to make an alteration they would be badly hit, because they have bought sugar at a higher price *cum* duty from the factories and will not be able to sell except at a lower price because owing to this alteration the price would drop. Secondly, of course the Government cannot afford to lose the revenue which would be involved by accepting the amendment. I estimate that at about Rs. 18 lakhs.

THE HONOURABLE THE PRESIDENT : The Question is :

“ That in sub-clause (1) of clause 3, for the word ‘ April ’ the word ‘ August ’ be substituted.”

The Motion was negatived.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Sir, I beg to move :

“ That to sub-clause (1) of clause 3, the following provisos be added, namely :

‘ Provided that the surcharge of Rs. 1-13-0 per maund shall henceforth become a countervailing import duty ;

‘ Provided further that the factory has worked for two seasons ’.”

Sir, the Honourable the Finance Secretary has just said that after this surcharge of Rs. 1-13-0, the margin between the recommendation of the Tariff Board and the present duty is just the same, that is, Rs. 1-5-0 per cwt., considering that the import duty is to be at Rs. 7-12-0. But the difference is this, that we do not know when this surcharge will be withdrawn. If it is consolidated into the import duty the factory owners and the shareholders would be at peace so far as the question of surcharge is concerned. This is hanging like the Sword of Damocles and we do not know when it will be withdrawn. If it is to be withdrawn soon the condition of the factories would be very precarious, and I am

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afraid that the large proportion of factories will have to be closed on this account alone. Therefore the Government should announce its policy so far as this surcharge is concerned and get it consolidated with the import duty at Rs. 9-1-0 as they are charging now.

As for the second proviso, I am of opinion that two seasons are necessary for the new factories to set their house in order. As I told the House, one season is practically spent in completing the erections and finding out defects in the machinery and having them removed. There are very few fortunate factories which can make any appreciable profit during the first year. In the second year they try to improve the efficiency of the machinery and meet preliminary expenses about which we have said a lot today. Therefore it is but fair that new factories should be given two seasons to put their house in order.

THE HONOURABLE SIR ALAN PARSONS : Sir, with regard to the first part of this amendment I do not quite understand what the Honourable Member means by the words " become a countervailing import duty " but I fully understand his real purpose is that the Government should give some undertaking not to remove the surcharge without due notice, at any rate, and without proper consideration and publicity. I would draw attention here to paragraph 2 of the Select Committee's report, which runs as follows :

" Although this Bill only imposes an excise duty it cannot be considered independently of the import duty on sugar, because the difference between the two does give the necessary measure of protection. We consider that it is implicit in the present proposal that the surcharge should become merged in the import duty and no longer be regarded as a temporary emergency addition, and also that if any proposals are made for the reduction of the existing rate of import duty the Legislature should be given the opportunity simultaneously to review the excise duty ".

That recommendation, Sir, is accepted by Government and in view of that acceptance I trust my Honourable friend will be content to withdraw the first part of this amendment.

I am afraid I am unable to accept the proposal that new factories should for two years be exempted from the excise duty. It appears to me to be an entirely new form of bonus to young factories which would require very considerable consideration. It would be open, as I think the Honourable the Finance Member pointed out in the other House, to a lot of abuse. Some people might start factories, run them for two years, sell out to unfortunate people who have not realized the position, after earning large profits, and repeat the game until they were discovered. I do not think I need say anything more about this amendment except to refer to the remarks I have already made that a new concern can not necessarily be expected to earn profits for distribution to its shareholders in the first one or two years, and in fact I should myself say that any firm which distributes anything much in the way of dividends in its first two years, instead of putting its money into reserves and so on, should be looked upon with a good deal of suspicion.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Sir,—

THE HONOURABLE THE PRESIDENT : You are not entitled to reply.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : I beg leave to withdraw the amendment after the statement that has been made.

The amendment\* was, by leave of the Council, withdrawn.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Sir, I beg to move :

“ That in sub-clause (2)(ii) of clause 3, the words ‘ and five annas ’ be omitted.”

The object of this amendment is to reduce the duty from Rs. 1-5-0 to Re. 1 as recommended by the majority report of the Select Committee. Sir, we have talked a lot about the merits of this Motion and it is not for me now to advance more arguments on the point. We are of opinion that the calculations of the Government about the production of sugar are not very correct and the duty which they would get at the rate of Rs. 1-5-0 will not be Rs. 1,47 lakhs but it will be Rs. 2,36,00,500, as put down by the Select Committee. They say at page 4 :

“ The Finance Member estimated that he will get Rs. 1,47,00,000 by the imposition of this excise duty at Rs. 1-5-0 per cwt. We consider this an under-estimate. Owing to the growth of new factories and large quantities of sugar bound to be manufactured in the current year, we estimate that at least 750,000 tons of sugar will be produced as against the Government estimate of 646,000 tons. Moreover as the Government estimate did not include the *bhandari* sugar which amounts to nearly 250,000 tons and of which at least 60 per cent. is produced by the factories, the total amount of revenue at Rs. 1-5-0 per cwt. would come to Rs. 2,36,25,000.

Sir, we are at one with this recommendation of the Select Committee. Factories which could not work fully in the season will get a full season next year and they will produce more sugar than is expected at their present capacity. Besides, Government is not aware whether any existing factory is going to extend its plant and must have calculated at the present capacity of these factories.

THE HONOURABLE SIR ALAN PARSONS : No, Sir.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : I know that a large number of factories are going to extend their plant and in the next year their capacity will be doubled and they will produce more sugar. Therefore the duty that will result from this Bill will be much more. The Government should not impose more duty than they require. There is another point. The calculation of the Government for the import of sugar so far as the present year is concerned is also less, because a large number of factories have been demolished in Bihar and also on account of an insect in sugar-cane in the Meerut division of the United Provinces a large number of factories, or almost all the factories have had to close down before time. Some of the factories were closed in the first week of March, some in the second and almost all the factories were closed during the month of March while I think the calculation of the Government must be till the end of April at any rate. Therefore the result will be that from April, 1934 to November the country will require much more sugar than is expected and hence Java and other countries will import more sugar. Therefore the Government will get more revenue on account of import duty and the income of the Government

\* Vide page 895, ante.

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will be much more from that side also. For these reasons I have moved this amendment and hope the House will agree to it.

**THE HONOURABLE SIR ALAN PARSONS :** Sir, I am afraid I despair of convincing my Honourable friend that our estimates of receipt from the duty do not depend on the productive capacity of the factories, but on what the factories can sell. I do not think I need enter into the figures again. I attempted at any rate to go into them in some detail, both in my initial remarks on the consideration stage and to a certain extent at the close of the consideration stage. The amendment, if passed, would cost us Rs. 35 lakhs which we cannot afford to lose and I am afraid therefore, Sir, I must oppose it.

**THE HONOURABLE MR. HOSSAIN IMAM :** On a point of information, Sir. May I ask the Honourable the Finance Secretary to tell us whether if he realizes more than Rs. 1½ crores there will be any prospect in future of a reduction in the excise duty?

**THE HONOURABLE SIR ALAN PARSONS :** The extent to which it is advisable for a person in my position to answer such a hypothetical question is, I think, dubious. I am, however, prepared to give him a certain reply. If when this tax is imposed we get more from it, or if we get more from any other tax, provided the effect of getting more from taxes is that our total revenue from all taxation is greater, then there will be a margin available possibly for further expenditure on Government purposes or possibly for the reduction of taxation. Assuming that it is devoted to a reduction of taxation, what form that reduction of taxation would take, whether it would be, for instance, a reduction in super-tax or whether it would be a reduction in the salt duty, naturally depends, I imagine, on the decision of the Government of the day and the extent to which their proposals are acceptable to the Legislature.

**THE HONOURABLE THE PRESIDENT** (to the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra) : Do you press your amendment?

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** I want to put a question. The reply of my Honourable friend is not explicit enough.

**THE HONOURABLE THE PRESIDENT :** Please put your question to the Chair.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** If the Government gets more money out of this duty, will they bring in a Bill next year to reduce it proportionately?

**THE HONOURABLE SIR ALAN PARSONS :** I can give no undertaking whatever to that effect; I will not even make a guess; but if I made one, it would not be at all welcome to my Honourable friend!

**THE HONOURABLE THE PRESIDENT :** Amendment moved :

“That in sub-clause (2)(ii) of clause 3, the words ‘and five annas’ be omitted.”

The Council divided :

AYES—5.

Buta Singh, The Honourable Sardar.	Mehrotra, The Honourable Rai Bahadur Lala Mathura Prasad.
Hossain Imam, The Honourable Mr.	
Jagdiah Prasad, The Honourable Rai Bahadur Lala.	Ram Saran Das, The Honourable Rai Bahadur Lala.

NOES—25.

Akbar Khan, The Honourable Major Nawab Sir Mahomed.	Menon, The Honourable Diwan Bahadur Sir K. Ramunni.
Charanjit Singh, The Honourable Raja.	Mitchell, The Honourable Mr. D. G.
Chetti, The Honourable Diwan Bahadur G. Narayanaswami.	Noon, The Honourable Nawab Malik Mohammad Hayat Khan.
Choksy, The Honourable Khan Bahadur Dr. Sir Nasarvanji.	Padshah Sahib Bahadur, The Honourable Saiyed Mohamed.
Crosthwaite, The Honourable Mr. H.S.	Parsons, The Honourable Sir Alan.
Devadoss, The Honourable Sir David.	Ray, The Honourable Maharaja Jagdish Nath, of Dinajpur.
Fazl-i-Husain, The Honourable Khan Bahadur Mian Sir.	Raza Ali, The Honourable Saiyid.
Ghosal, The Honourable Mr. Jyotsnanath.	Russell, The Honourable Sir Guthrie.
Ghosh Maulik, The Honourable Mr. Satyendra Chandra.	Souter, The Honourable Mr. C. A.
Glancy, The Honourable Mr. B. J.	Spence, The Honourable Mr. G. H.
Hallett, The Honourable Mr. M. G.	Stewart, The Honourable Mr. T. A.
Mehr Shah, The Honourable Nawab Sahibzada Sir Sayad Mohamad.	Ugra, The Honourable Rai Sahib Pandit Gokaran Nath.
	Varma, The Honourable Mr. Sidheshwari Prasad.

The Motion was negatived.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan): Sir, I do not wish to move amendment No. 5 which stands in my name.

THE HONOURABLE THE PRESIDENT: The Question is :

“That clause 3 stand part of the Bill.”

The Motion was adopted.

Clause 3 was added to the Bill.

Clauses 4 to 10 were added to the Bill.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I beg to move :

“That after clause 10, the following new clause be inserted and the subsequent clause be renumbered accordingly :

11. Notwithstanding anything contained in the foregoing sections of this Act, every factory registered under the Co-operative Societies Act shall not be liable to pay any duty.”

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

Sir, the case of the co-operative societies is quite different from the joint stock companies. The joint stock companies are capitalist concerns. The co-operative societies are concerns of the cane-growers and if the money is not enough they approach capitalists also. But their main function is that it should give as much benefit as possible to the cane-growers and therefore such factories should be treated on different lines. Sir, the joint stock companies have good profits and managing agents get a handsome remuneration while the co-operative societies have not. In the whole of India there are only two co-operative concerns on the vacuum pan system, one in Madras and the other in the United Provinces. Besides that, Sir, there are about four or five small co-operative concerns which come into the category of the *khandsari* system. That is, they have got a small plant, working on the open pan system, with a capital of Rs. 10,000 to Rs. 15,000 only. That is all. So, Sir, if the Government accepts this amendment, the losses in revenue will not exceed at any rate a lakh. According to my calculations it should be about Rs. 60,000 or Rs. 70,000 only, which is nothing.

With your permission, Sir, I may explain to the House on what system these factories are working. The factories have their shareholders in the cane-growers, and as such they become members of those factories. The area in which they are located is divided into a number of societies which are registered under the Co-operative Societies Act. They get advances from the Central Society, *i.e.*, the factory, and by which they purchase their cane for seed and when the zamindar wants rent, they pay rent out of them. Then, Sir, the cane-growers are not in a hurry to supply the cane to the factories. Their position becomes very secure. They know that their cane will be purchased by their Central Society, and they therefore bring their cane as desired in a ripening condition. On the contrary, in a joint stock factory, the tenants do not know whether their cane will be bought or refused or how long they will have to wait at the gate for payment. The result is that before the cane is in a ripening condition, they bring it to the factory and get less price because they have to pay rent to their landlord and unless their cane is purchased they cannot get money. Nobody is going to give them advances. Then, Sir, in the joint stock companies, the factories weigh something more than 40 seers. I know, Sir, a large number of factories take 42 seers for a maund in cane weightment. Well, in the co-operative factories, the weightment is made at 41 seers, one seer less, and that one seer out of 41 seers is deposited into the account of that member and taken as his contribution towards shares. The tenant does not feel it because when he brings the cane, say, about 25 maunds, and if 25 seers are deducted and deposited into his account, he does not feel it at the time but at the end of the year he finds that his account has grown by hundreds of rupees.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN : May I ask the Honourable gentleman whether for these 25 seers any payment is made to the zamindar or not ?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : No. This goes into the savings of the tenant. The zamindar will have his rent and the rent is paid in *dadmi*.



Sir, cane is a most paying crop and, in my province, if a tenant has got one acre of cane, he can pay his dues to the zamindar for the whole year. Therefore, Sir, he has only to take advances from the co-operative concerns and out of those advances he pays to the landlord. Then, Sir, the tenants in the co-operative concern get at the end of the year something in the way of bonus, according to the quality and quantity of the cane supplied to the factory, while the cane-growers in joint stock factories have absolutely no concern. They get the price of the cane and that is all. Then, Sir, the price of cane in a co-operative concern is fixed beforehand. It is fixed that they will be paid at such-and-such a rate and it is generally 25 per cent. higher than the rate prevailing in the district.

**THE HONOURABLE MR. HOSSAIN IMAM :** What was the rate in your factory ?

**THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON :** Government will fix the rate in the future.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** In my district, Sir,—I am asked to state about my district—the general rate of the other factories was four annas to four and a half annas, while the co-operative concerns to which I belong have been paying about seven annas. That is the price we pay to the cane-growers. So, Sir, in all these ways, the tenant is benefitted in a co-operative concern in several ways. He regards it as his own concern and it is of course meant for his benefit. The case of joint stock companies is thus quite different from that of co-operative concerns. Sir, Government have made many concessions to the co-operative concerns, and if we ask for this little concession, I hope Government will not grudge it and, as I have said, the loss to Government will not be more than a lakh. From the speech of the Honourable the Finance Member I find that they want to set apart Rs. 7 lakhs out of Rs. 1,47 lakhs of the duty, and that these Rs. 7 lakhs will go for the benefit of the cane-growers. If Government does not see its way to exempt them, I think they must give grants to such concerns out of these Rs. 7 lakhs. Thus there will be another benefit by doing this. The object of the Government is to fix cane price. I think that is a very difficult question and it can only be solved by creating co-operative societies all over the provinces through which the cane may be supplied to the joint stock companies as well. The money is going to be spent in that direction. If the Government will make an announcement in this connection, I think that the joint stock factories will come forward to spread this organization as soon as possible in those areas. If Government will take, say, ten years, to make co-operative arrangements all over India for the supply of cane, I think that if an announcement is made they will be doing it in two or three years and numerous cane supply societies will be formed and the tenants will get a proper share out of the protection afforded by Government. At present, Sir, I admit that the tenants are not getting as much profit as they ought to get in other factories out of this protective duty. I therefore hope that this small amendment of mine, which is especially in the interests of the cane-growers, will be accepted by Government.

**THE HONOURABLE SIR ALAN PARSONS :** Sir, for once I have not got to dispute estimates with my Honourable friend! I admit that I know very little about these particular co-operative societies. In fact, I knew nothing

[Sir Alan Parsons.]

about them until I had the pleasure of listening to his speech. I am quite prepared to accept from him that if we accept this amendment, the loss of revenue would at present be negligible. What it would be if we had such societies all over the country I should not like to say. My reasons for not accepting this amendment are two. I do not yield to him in the desire to see the growth of the co-operative movement and so far as I have been able to follow his speech, I think the societies on whose behalf he was speaking probably fulfil a very useful purpose. But if I have followed him aright, they already get considerable assistance from Government and I am very doubtful *prima facie* whether any further assistance, for which of course a more definite case would have to be made out than my Honourable friend has made out, should take the form of remission of duty. My own impression is that it would not be a correct form to give such assistance by giving them a preference over the joint stock companies which manufacture cane. I am well aware of the difficulties which have arisen in my own country owing to the grant to certain co-operative societies of preference in relation to taxes. As a general matter of principle I should on my present information consider that the particular form of assistance he suggests is not the form which further assistance, if necessary, should take. In any case much further investigation would be required before Government could agree to assistance being given to them in this form. On the other hand, it is I think very largely a matter for the Local Governments to consider, both whether societies of this kind are doing really useful work and whether such societies require further aid from Government and, if so, what form that aid should take. I have no doubt that Local Governments, which will have a very definite interest in this matter as a result of the Bill which the Honourable Member for Education, Health and Lands is just about to introduce, will, when that Bill is passed, watch the position, and if they think assistance is required for these co-operative societies and should take the form that my Honourable friend proposes, that they will refer the question to us. I think that should satisfy him that the matter is not likely to be overlooked. I must as I said oppose the amendment but I do so with those qualifications.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** May I ask of the Honourable the Finance Secretary that if they make representations through the Local Governments, will he be prepared to consider their case as he is prepared to consider the case of the factories in Bihar ?

**THE HONOURABLE SIR ALAN PARSONS :** I am not prepared I am afraid to give any undertaking with regard to the revenue for the current year. That is all that I can say on that.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** I beg leave of the House to withdraw the amendment.

The amendment\* was, by leave of the Council, withdrawn.

**THE HONOURABLE THE PRESIDENT :** The Question is :

“That clause 11 stand part of the Bill.”

The Motion was adopted.

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\* Vide page 899, ante.

Clause 11 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE SIR ALAN PARSONS : Sir, I move :

“ That the Bill, as passed by the Legislative Assembly, be passed. ”

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, at the tail end of the debate I do not wish

5 P. M. to delay the House for long. I simply wish to place before the House the difference between the way in which two

departments of the Government of India treat the industries of India. I refer to the action which the Commerce Department has taken in connection with another protected industry, the textile industry, in which the conditions made in 1931 by the first and second Finance Bills of that year have been perpetuated, even against England where there was no depreciation of currency and no item which would justify the increasing of the protective duty. In spite of that, Sir, without the basis of any support from the Tariff Board, simply on the basis of a trade agreement between two parties, the Commerce Department perpetuated those acquirements of the textile industry. But this industry which was given protection after the surcharges had been imposed is being penalized and a duty of Rs. 1-5-0 per cwt. is being imposed. Perhaps it is by this means that a message is conveyed to the industries that in order to qualify for Government's help and support they must be inefficient and it is only inefficiency and mismanagement which will entitle them to support and help from the Government, while good management would deprive them even of their acquired rights. Sir, I appeal not from the point of view of the industry but from the point of view of the consumer that protection should be effective. If the protection is effective we have the consolation that in a few years this burden which falls on consumers will be lifted. If protection is not effective, if the industry is not able to stand on its legs, protection will have to be continued. I therefore again appeal to the Government to do everything in their power to make this industry prosperous. In this connection I should like to draw the attention of the Honourable Member to one special item. In almost all the terms of managing agencies of this industry the commission of the managing agents has been fixed at ten per cent. before deduction of depreciation and income-tax and other taxes of the Government. I especially wish to draw his attention to the fact that this excise duty which he is going to impose on the sugar industry will have this effect, that according to that agreement of theirs, the managing agents will be entitled to a commission of two annas on this duty which is being paid to Government ; so that while the company may not make payment of a single pie to its shareholders the managing agents will be entitled on their terms of agency to a profit of two annas per maund. Then, Sir, I do not like that Bills should be passed in this House to give retrospective effect. The tariff Bills are quite different from excise duty Bills. In tariff Bills, because of the element of competition, it is always provided that the duty will be deducted from the date of the introduction of the Bill. But there was no necessity to give retrospective effect to an excise duty Bill. I appeal to the Government that they should not make a precedent of this if they come up again with an excise duty Bill. The excise should come into force in the usual course after the passage of the Bill. That is all I have to say.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA** (United Provinces Central : Non-Muhammadan) : Sir, I regret I cannot lend my support to the passage of this Bill. We all know that the Bill is going to be passed in the teeth of opposition from every nook and corner of the country. As we are helpless and the Bill is going to be placed on the Statute-book, I would request the Government that they must have some consideration for the development of this industry and spend something out of this duty for its improvement. There are many and large problems before the industry which require the help of the Government, financially as well as administratively, and I would appeal to the Government that they must come forward to solve them and help the factories in making themselves efficient.

Sir, we know that there is a great scarcity of wagons and hence a great difficulty in the matter of transport which factories have to meet. They require wagons for carriage of sugar-cane ; they require wagons for carriage of coal and sugar ; and it is my experience of this year's working that the factories get wagons with the greatest difficulty. This is a thing which Government can do very well to help the factories and by doing so the Government itself will be getting more revenue in the Railway Department. With all that, Sir, we find that the arrangement is very bad and the factories are not getting enough wagons. I hope the Government will meet our wishes in this direction.

Then, Sir, there is another important question, namely, the improvement of the cane. I admit that the Agricultural Council of Research is doing a lot in that direction ; but in those provinces in which cane is produced abundantly, especially in the United Provinces which has the honour of having the largest number of factories—out of 135 as many as 75 factories are located in that province—Government should start demonstration farms here and there in the interior and also research work should be carried out in them. This is a thing which is done in every country and we know that many countries are spending a lot in that direction to develop their industry. We appeal to the Government to consider this point. Sir, the problems before the industry are stated in a paragraph which runs thus :

“ The urgent need of reduction in cost of production by utilization of products like molasses in the manufacture of power alcohol for admixture with petrol as fuel for internal combustion engines, etc., and bagasse ; by reduction in costs of agriculture, by improvements in quality of cane, so as to yield a bigger percentage of sugar, and so as to extend the manufacturing season from 120 to 160 days or so, by growth of early ripening and late ripening canes ; by researches for removing pests, and introduction of suitable varieties of cane, so as to increase the crop per acre, by effecting economies in cost of manufacture, by increasing efficiency by chemical and engineering research, by suitable selection of efficient machinery, etc., by better method of distribution of markets between factories, by more rapid methods of supplying fresh cane to factories, by securing cheap railway and steamer freights, by economies in packing, by eliminating wasteful competition, and establishment of the necessary *esprit-de-corps*, by devising methods of finding an export market ”.

Sir, in this paragraph many problems have been set forth, some are for the factories to adopt and the others for the Government. We are wasting materials for nothing. At some places the factory owners spend money to drain out molasses from the factory area. Molasses for which the Tariff Board calculated ten annas per maund are fetching nothing and factories are spending

one to two annas a maund for their destruction. I appeal to the Government to take the earliest steps to bring in an Act by which factories may be able to turn it into alcohol and fix a certain percentage to be mixed with petrol. We all know, Sir, that India consumes a large amount of petrol and if the Government sees its way and helps factory owners in that direction, the income of the factories will increase and also the country will be benefited by having a certain percentage of petrol for its own consumption.

Sir, I hope the Government will consider all these points and if they are taxing factories so much they will also come forward to help them in these directions.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS** (Punjab : Non-Muhammadan) : Sir, I rise to oppose the passage of this Bill at this last stage. I hope, Sir, that from the additional revenue which the Government will get from the imposition of the excise duty they will at least double the grant on the research of sugar-cane. I also suggest that in provinces where sugar-cane is not grown intensively, generous grants be made to those provinces, especially the Punjab, so that the sugar-cane industry may thrive there. Cane, as we all know, differs in proportion to its juice. My friend, the Honourable Nawab Sahib from the Punjab has already said that the plight of sugar factories in the Punjab is far from being satisfactory and I think that one of the reasons is that generally the juice of the cane there is much less than the juice of the cane in the United Provinces and Bihar. I therefore suggest that for equity and justice there must be some differentiation in the duty where the proportion of juice in the cane is proportionately much less than the cane in other provinces or places.

Sir, an exception has been made as regards the imposition of the excise on sugar produced from palmyra. I would suggest that a similar concession be made in the excise duty on sugar made from dates. In the South-West Punjab and also in many portions of Sind sugar is manufactured from dates and manufacturers of date sugar are entitled to the same concession as is being given to palmyra sugar.

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN** (Education, Health and Lands Member) : Sir, this debate has come to an end and I am glad to say that the Honourable Members who were opposed to the measure have availed themselves of many opportunities to give expression to their views and if they have not succeeded in convincing any large section of the House as to the soundness of their views, it is not, I can assure them, due to their lack of persistence in repeating their arguments at length. At this stage I wish only to make one or two observations. It has pained me, Sir, to hear more than one Honourable Member saying that something should be done for sugar-cane, something should be done for research ; other countries are doing and Government is doing nothing. It pains me—

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA** : We never said that Government is doing nothing.

**THE HONOURABLE MR. HOSSAIN IMAM** : Government is doing something, but we want still more to be done.

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN** : I ever heard any statement as to what Government is doing. The Honourable  
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[Khan Bahadur Mian Sir Fazl-i-Husain.]

Members sitting opposite possess a blue book and they have been referring to it, off and on, the whole of today. I should have expected, Sir, that the Honourable Members would possess certain proceedings of the Council of Agricultural Research—

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : I referred to that.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : You did. I am very glad to hear it. I trust you saw the portion of it which referred to molasses ? I trust you also saw the various committees which sat on molasses and discussed half a dozen alternatives of how to deal with it ? I trust you also saw how many experiments had been performed thereon to see whether molasses could be used for different purposes helpful to agriculture ?

Sir, if the Honourable Members know of that and keep all that valuable information from the rest of the House, I can only say that it is a modesty which it would be well for them to have less of than they have at present. The knowledge that they say they possess, I am sure, other Members of the House would be very glad to share with them. If they do not know, then of course I would most earnestly beg them to devote some little time of their leisure to the study of these various efforts that are being made in order to improve the knowledge of our countrymen in the matter of sugar-cane production, its variety, all about the survey of sugar-cane areas, factories, etc. The amount of literature produced, the amount of valuable material forthcoming is so great that if it were read and digested, I am sure a very great deal of the controversy to which we have listened would have been in all probability unnecessary. That is so far as sugar-cane is concerned. We are told something should be done now that money is forthcoming out of the excise duty to improve research. There again, already in another place the Honourable the Finance Member gave an assurance to the effect that sugar research would be pressed with greater intensity than heretofore, that the Sugar Research Institute would be carried on. The Honourable Member from the United Provinces cannot be unaware of the fact that there is already a sugar institute there, a part of the bigger institute, that the Provincial Government is not able to do as much justice to that institute as it would like to and has asked the Council of Agricultural Research to take over in order to extend the sphere of its utility.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Will the Government do it now when they have more funds in their hands ?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : I am trying to place some information at the disposal of Honourable Members. It is not for Honourable Members to say whether Government will do that now or not. If the Honourable Member would look at the various reports of these useful committees, he will find that Government has already moved in that direction, not now, but weeks and weeks ago.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : And that is the reason why, on account of my appreciation of the agricultural research carried out, I made a suggestion that the grant should be doubled.

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN:** I am very grateful to the Honourable Member for his word of recommendation to the Government for giving me a little more money. Only if these recommendations were not coupled with a persistent attempt to retrench all useful institutions something might be said to come out of it. I trust he will bear that in mind when the frenzy for retrenchment is on him.

Now, Sir, I trust that I have shown that there is a great deal of useful work which is being done of which the Honourable Members should inform themselves so that they may carry that knowledge on to their constituents and make it available to them. Government has taken steps to see that that useful work should be produced in the form of easily intelligible literature to be given to various papers, both English and vernacular. But it will be ever so much good work done by the Honourable Members themselves if they were to make this sort of information available to their constituents. As one who has some experience of elections I may assure them that what I am telling them today is not only a good charitable work; it will be very useful for them in their future elections because their electors will think that they did tell us something useful and did not only come to us for votes. That is just by the way, Sir. I am sure this measure was one of which the Government was not enamoured. It has come before this House as a measure of necessity and it does one's heart good to see that by far the largest section of the House, realizing its necessity, has given it as much support as Government could have desired.

**THE HONOURABLE THE PRESIDENT:** The Question is :

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

The Motion was adopted.

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#### SUGAR-CANE BILL.

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN** (Education, Health and Lands Member) : Sir, I move :

"That the Bill to regulate the price of sugar-cane intended for use in sugar factories, as passed by the Legislative Assembly, be taken into consideration."

Now that the Sugar (Excise Duty) Bill has been passed by the House, Sir, I am sure the House in the ordinary course would expect me to bring forward a measure which would try to protect the cane-grower in the struggle between the two great parties, the factory owners on the one hand and Government on the other. Government wants money for its needs. The factory owners want money for their needs as well as for their luxuries. In that struggle Government wants to get as much as they can and millowners try to lose as little as they can. With the result that the poor cane-grower runs the risk of some of what he used to have being also taken away from him. Whether this measure will succeed in protecting him or not, it is only in the light of experience that will be gained that we will be able to judge but I can assure the House, Sir, that it is an honest attempt to do within reason what can be done to safeguard the industry. Clauses 3 and 4 of the Bill really are the main clauses. They give closed controlled areas and also give the Local Government power to fix prices. Clauses 5 and 6 are the penalty clauses. Clause 7 is

[Khan Bahadur Mian Sir Fazl-i-Husain.]

the rule-making clause, while clause 8 is the one which gives a certain power of control and supervision to the Governor General in Council. This is really the Bill in a nutshell, I may say. I trust this Bill which is in essence a non-controversial measure will not detain us very long. If Honourable Members do not find it as strong as they would like it to be, my plea beforehand is that it is a measure the working of which must be left to Provincial Governments and it will rest with them whether they work it strongly or moderately or weakly. For us it is necessary to give them the requisite power. It is for them to use that power discreetly to the best interests of the industry.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I rise to oppose the consideration of this Bill. The fixation of minimum prices of a raw material for a large food-producing industry involves a departure from a principle so unprecedented that it should be the subject of resentment and protest from all quarters and not only from the sugar industry. The payment of a fair price for sugar-cane to the grower is a principle which the industry whole-heartedly accepts.

(At this stage, the Honourable the President vacated the Chair which was taken by the Honourable Major Nawab Sir Mahomed Akbar Khan, Chairman.)

Whilst, in a few isolated cases, advantage of excessive cane crops may have been taken by factories to reduce the price paid to the growers, these cases are not only exceptional, but the consequential and inevitable reduction in planting for the following season soon abolishes this tendency. The Tariff Board laid down, after most thorough investigation, that

“ It is clear that no direct measures can be taken to ensure that a definite rate for cane is paid to producers ”. (Page 99, paragraph 101.)

“ We fear that no system of scaling prices for cane in accordance with the output of sugar will be understood by the ordinary agriculturists—further that, even if a scale could be devised which would be suitable for the varied conditions of cane cultivation in different parts of India, the methods of evasion are so numerous, that it is impossible that it could be successfully imposed ”. (Page 100.)

They add :

“ The main requirements for the success of a sugar factory are an adequate and continuous supply of cane of reasonable freshness, a sufficiently long working season and an economic price for cane ”. (Page 103.)

This economic price the Tariff Board considered for Northern India to be Re. 0-8-0 per maund delivered at the commencement of the period of protection (*i.e.*, with sugar selling at Rs. 9-5-0) and Re. 0-6-0 per maund at the end of the period of protection (*i.e.*, with sugar selling at Rs. 7-12-5).

It must be pointed out that, as illustrated above, with conditions considerably less favourable to the industry than the Tariff Board visualized at the end of the period of protection, the average price being paid for sugar-cane is not less than Re. 0-6-0 per maund delivered at the factory. Any legislation designed to enhance the price now being paid will not only inflict a further hardship upon this industry, but will certainly increase the price of sugar-cane above that “ economic price ” visualized by the Tariff Board.



It must also be pointed out that Provincial Governments' sole interest in the sugar industry lies in the prosperity of the agriculturist through the realization of land revenue, irrigation dues, etc. This industry has neither the wish nor the intention to take advantage of the grower, but the proposed legislation places it in the hands of the Provincial Governments to take advantage of the sugar factories, almost up to the point of final extinction. If Provincial Governments had any interest in the proposed excise duty, income and super-tax, import duty on sugar machinery or import duty on foreign sugars, etc., there might be less justification for the apprehension felt at this proposed legislation.

As reported, however, the proposal (*i.e.*, the reported intention of Government to create licensed societies or marketing boards for sugar-cane) is so revolutionary, and is considered by the industry so certain to result in complete disaster for the sugar factories that it is considered essential to review this subject with the least possible delay. The absolutely vital importance of the constant supply of fresh cut cane to a sugar factory cannot be sufficiently stressed. The imposition, between the factory organization and the agriculturists from whom the cane is purchased, of any kind of organization, whether controlled by Government or not, with power to fix prices, distribute the cane, receive and distribute payment, cannot possibly do otherwise than duplicate opportunities for corruption and delay. In actual fact the freshness of the sugar-cane is of greater importance than the price. Stale cane, even four days after cutting, is not worth purchasing at any price at all. The inestimable losses which would be incurred by delays in supply would in no way benefit the agriculturist, but would make working impossible for the sugar factories. The industry, holding these views, and with the knowledge of experience that these views are correct, can only oppose any such legislation with all the means at its disposal. It may be pointed out that this industry is now responsible for the direct employment of between 80,000 and 90,000 factory workers, from 1,000 to 1,500 graduate executives, very considerable employment among bullock carters, and revenue to railway and other transport services. It purchases and consumes 60 lakhs of tons of sugar-cane each season, having a value of some Rs. 6 crores, and had stopped an annual drain of some Rs. 12 crores abroad for foreign sugar.

So far as the consumer is concerned, the following table will illustrate the price the Indian consumer would have to pay (a) for Java sugar, (b) for Indian sugar at the average value recommended by the Tariff Board (Rs. 8-13-1) and (c) actually paid at present market rate. (In each case Re. 1 per maund has been added to factory or port price for freight to consuming centres.) The consumption is calculated at 600,000 tons.

Java sugar.	Tariff Board recommendation.	Actual price in February, 1934.
Rs. 10-2-0 per maund <i>plus</i> freight.	Rs. 8-13-1 <i>plus</i> freight.	Rs. 7-12-0 <i>plus</i> freight.
600,000 tons	600,000 tons	600,000 tons
Rs. 18,02,25,000	Rs. 15,90,46,870	Rs. 14,17,50,000

[Rai Bahadur Lala Ram Saran Das.]

So that it would appear that this industry is today supplying India with sugar at a saving of Rs. 3,84,75,000 below the present Java price and of Rs. 1,72,96,870 below the average price recommended by the Tariff Board.

(At this stage the Honourable the President resumed the Chair.)

Sir, in case we once support this principle of regulating the price of raw materials, we do not know where we stand. Sir, does Government intend to regulate the price of all raw materials? When wheat falls to about Rs. 1-4-0 a maund in what way will Government raise the price? Once this precedent is started, we do not know where it will end. So, Sir, being wrong in principle I oppose the consideration of this Bill.

THE HONOURABLE MAHARAJADHIRAJA SIR KAMESHWAR SINGH OF DARBHANGA (Bihar and Orissa : Nominated Non-Official): Sir, as one who is not only an owner of sugar mills but also a landlord, the bulk of whose tenants cultivate cane, and who himself grows canes extensively, I fully appreciate the motive with which the Government have brought forward this piece of legislation. I whole-heartedly support the idea that the benefit of protection granted to the sugar industry should be equitably distributed between the producers of sugar and the growers of sugar-cane, because it is mainly on the latter class that the expansion of the sugar industry depends. They must be kept happy and contented. But, Sir, I think that this Bill will not bring about the desired result, at least in the part of the country with which I am most concerned, viz., North Bihar.

With your permission, Sir, I propose to examine the provisions of this Bill at this stage of the debate in order to explain to the House the grounds of my apprehensions and I find to my great satisfaction that the views that I have formed as a result of my day-to-day dealings in this sphere are very much in line with those expressed by the able representative of the Government of Bihar and Orissa (Mr. H. C. Prior) in the Sugar Conference held at Simla in July last year. But before I do so I want the House to consider what is one of the potent causes of the payment of an inadequate price to the cane-growers by the factories. Sugar-cane being, in the words of the Tariff Board,

“ One remaining crop on which the cultivator relies for his cash requirements ”

has attracted the attention of the cultivators in general. The sugar mills take time to start work and it has been our experience that in spite of the rapid development of factories the supply of cane is much in excess of the demand. This is generally the case during a large part of the cane-crushing period. The result is that the growers, who are anxious for the quick sale of their canes, enter into competition and cut down their prices. The prices given to them by the factories, so long as they are higher than what they expect to get from *gur*, attract them; and we have so far found that the prices paid by the sugar factories are such as not to make them think of utilizing their canes in any other way than selling them to factories. Sir, what has been stated by Mr. Prior in the Conference, I have mentioned, is the correct account of the condition of things in my province. He said :

“ A fair price was generally paid for the cane and it seems likely that in North Bihar the ordinary rules of supply and demand will result in a fair price being paid in future ”.

Sir, I agree with the Bihar and Orissa Government that it would be impracticable to enforce by legislation the payment of any such minimum price. I have read carefully clause 3 of the Bill which deals with the subject, and the more clearly I have tried to visualize the situation it will create, the greater become my apprehensions regarding the misuse of the legislation.

**Sir**, from the very nature of things, there are bound to be middlemen between the factory authorities and the cane-growers. They may be the mill employees or the licensees of the Government. How can any one check the corruption when in view of the over-production and competition among the growers themselves the cultivators are paid less than the minimum by the middlemen concerned? The aggrieved party in such cases will be the growers. But he will be happy to sell the produce at a price lower than the prescribed minimum. Who will then come forward to set the law in motion? There will be endless trouble and harassment in the matter of bringing the culprit to book in cases where the law about the minimum price has been violated and the agriculturists will seldom take recourse to it. The only way to ensure the payment of the minimum price to the growers is to establish full co-operation between the cultivators and the factories; but if there is co-operation then the need for fixing minimum price by legislation will go. Then, again, how will the price be regulated in an area where like me the millowner himself possesses extensive private farms under sugar-cane cultivation? Will there be a licensed person for that area also? If so, what will be his functions? I suppose there will be none of the sort? If there will be one, there is bound to be confusion and trouble. I would like the Government to consider this aspect of the question and let me have a satisfactory reply. The other question that must engage the attention of the Government in this connection is the basis on which the minimum price has to be fixed. We know that canes vary in quality. Then there are fresh canes and dry canes. Will the margin of profit of the millowners be taken into consideration? Will the interest on investments, etc., of the factories be taken into consideration? Besides that I know, Sir, how difficult it is to calculate the cost of production of sugar-cane. Conditions differ from farm to farm and from individual to individual and any estimate is bound to be arbitrary. Is the Government going to make periodical enquiries into all these matters; and, if so, one wonders what amount it will cost the taxpayers and what element of uncertainty it will introduce in the minds of both the growers and manufacturers engaged in the sugar industry.

Now, Sir, there is another matter which makes me sceptic about the payment of a minimum price to the cane-growers. In spite of this law, in spite of having licensed factories and contractors no one can prevent corruption which the existing situation encourages, although clause 5 of the Bill is deterrent. Suppose the contractor or the factory employee, though paying less, takes a receipt from the vendor for the amount of price stipulated in the notification, how can anybody detect it? There are a thousand and one ways of evading the penalty and as I have indicated before, so long as the economic and other factors induce the cultivators to sell their produce cheap, no law can succeed in ensuring them any definite return.

[Maharajadhiraja Sir Kameshwar Singh.]

The other question that has to be seriously considered, in connection with this piece of legislation, is the declaration of controlled areas. Sir, theoretically the plan may appear to be sound. Even in practice it may work well in certain provinces. But it will be quite unsuitable in my province. I would refer the Honourable Members to pages 56 and 57 of the proceedings of the Sugar Conference at Simla. I endorse every word of the reported speech of Mr. Prior. I need not tire the House by quoting his speech at length, because I take it that the Honourable Members who have taken an interest on this subject must have perused the blue book with care. Mr. Prior has stated the proposals made for zoning and shown that situated as Bihar is they are not only unsuitable but vexatious. I repeat what he has said, *viz.*, that

“ If the Government is going to fix the size of the zone it is then imposing on itself a very grave liability ”.

Even a slight error of judgment on the part of the Government in this matter will put the sugar industry in my province under a severe handicap. It must be remembered that

“ white sugar factories mostly exist in North Bihar and they take practically the whole output of cane in North Bihar and the ryots have given up to a large extent the manufacture of *gur* except in areas where there are no factories and he has no other outlet for his cane except the white sugar factory ”.

In this matter, Sir, the opinion of Colonel Lees also supports the contention just put forward. Here, again, the Government will have to take into account cases in which the millowner owns big private farms in the vicinity of his mill and grows sugar-cane in them. They, I think, will have to be left out of the operation of this Act. Otherwise, I fear, a lot of complications will arise and the growth of this industry will be retarded.

Coming to clause 6 of the Bill, Sir, I find that unless the district magistrate orders or initiates a prosecution no court shall take cognizance under section 5 of this Bill. I am unable to follow this provision of the legislation, and may I put a few simple questions to the Honourable Member in charge of this Bill? Will he be good enough to tell the House in detail as to what will be the basis on which the magistrate will complain and what will be the method of his enquiry? Will the aggrieved ryots have to go to the magistrate and file a petition that he has not been paid the minimum price or will the Criminal Intelligence Department be expected to report the cases of infringement of this law? Will there be a regular or a summary trial of such cases? Will the offence be brought under the Civil or Criminal Procedure Code or a special tribunal will be set up for the purpose? Will there be any right of appeal, and, if so, what will be the ultimate authority to decide the question? These are questions, Sir, that came up before my mind while I was going through the Bill and it would help us to understand the position better if we are enlightened on these points. I have already submitted, Sir, that the problems of fixing of the minimum price as well as of the controlled areas are full of practical difficulties. But greater will be the difficulty of bringing the offender under this law to book. My apprehension is that when this Bill is put on the Statute-book the Provincial Governments

will have to spend many anxious days and nights to adjust the provisions of the law to the special conditions prevailing in the area under their jurisdiction, and even then it is doubtful whether they will succeed in harmonizing the relationship between cane-growers and millowners. On the other hand, I fear that this piece of legislation will create more discord between these two sections and set back the progress which the sugar industry is making. So far as my province is concerned, Sir, I hope that the Government of Bihar and Orissa will consider the advisability of not even looking at the Bill for a considerable time and devise other measures for meeting the situation when any occasion arises. Even as it is, Sir, we are not free from difficulties.

In this connection, Sir, I may mention that people, with political ambitions masquerading under a thousand and one denominations having no stake in the country, having little interest in land or industry, and who are themselves neither cane-growers nor sugar manufacturers, are out to foment trouble. Their main object in freely using their misguided tongue and pen is to create friction between the component parts of agricultural interests and gain irresponsible leadership of the section that is numerically strong. Such men have nothing to lose; they have everything to gain. In the past many such pseudo-leaders have sprung up and after being found out, after having caused immense hardships to poor ryots or after having cheaply bartered away the cause which they championed, have disappeared. The expansion of the sugar industry has given them a fresh field to work for their self-aggrandizement and there is an influx of newcomers. They are going about telling the simple ryots, whose wish and care are centred round a few paternal acres that they possess, all sorts of disturbing tales regarding the ruthless exploitation of the capitalists and landlords. Hopes, which they know in their heart of hearts, they can not fulfil are freely given, and the poor ryots are worked up with these vain hopes to actions, the implications of which they do not understand. Thus, we hear so much of bogus associations formed for the alleged "protection" of ryots. In fact these associations work for their destruction, and the poor ryots realize it only when it is too late for them to mend. These parasites, these self-seekers and mischief-mongers who, in most cases, become the controllers of these associations hypnotize the cane-growers by their crafty assurances and the simple ryots without bestowing much thought meekly submit to their lead. These are the people from which the sugar industry or, for the matter of that, every kind of agricultural industry needs protection and these are the people who are likely to make the application of this law in my province ruinous. These are the people who will, in order to gain their own vicious ends, make it impossible for the mill owners and cane-growers to combine and co-operate for the furtherance of an industry beneficial alike to both of them. Sir, I venture to think that unless the industry is protected from this type of men, whose idle brains are the devil's workshop, unless demonstration and propaganda are extensively carried on to impress upon the cultivators, the interdependence of capital and labour in this industry, no law that may be enacted here can better the condition of the poor ryots at whose cost these pernicious adventurers make money and a position for themselves. I think that the security of the industry lies not in the law that is going to be enacted but in the joint action of the cane-growers and the sugar manufacturers based on a common understanding regarding the improvement of their economic condition. Without

[Maharajadhiraja Sir Kameshwar Singh.]

such an understanding, I am afraid there will be endless strife between capital and labour, landlord and tenant and the laws to adjust the differences will be fruitless. As we stand at present conditions are governed more by extraneous and spurious factors than by anything which has a firm root in practical economy.

I hope, Sir, that both the Provincial and the Central Governments will make a thorough investigation about the conditions prevailing in the different parts of the country while making rules and granting exemptions under this Act. I believe that every section of the people concerned with this industry, such as canegrowers, millowners, landlords and ryots, will be consulted before the rules are enforced and in view of the fact that unscrupulous agitators are busy in disrupting the economic life of the people, care will be taken to protect both the ryots and the millowners from their baneful activities.

Before I resume my seat, I want to repeat once more that it is my firm conviction that for the province of Bihar and Orissa the application of this law is not necessary. It will not improve matters there; rather my apprehensions are that it may make them worse. In these circumstances I cannot support the Bill and even if the Bill is passed into law I trust that the Bihar and Orissa Government will not give effect to it without further deliberation about its necessity and efficacy.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan) : Sir, it is my misfortune that I happen to disagree with the two Honourable friends who have just spoken in opposition to this Bill. I welcome this measure, Sir, as being in the interests of the agriculturist and calculated to benefit the cane-grower. There is no gainsaying the fact that a number of sugar factories do not pay a fair price for the cane these factories buy from the sugar-cane-growers, and thus the interests of the cultivators suffer. This Bill will, by enabling Local Governments to fix minimum prices of sugar-cane to be paid by sugar factories, protect the interests of the cane-growers. As has been pointed out by my Honourable friend the Maharajadhiraja of Darbhanga, it is believed by many that there will be a great many practical difficulties in the working of this measure. There may be difficulties in the beginning I admit, but, Sir, difficulties are meant to be overcome, and I have no doubt that with the growth of experience these difficulties will be overcome and the provisions of this Bill will ultimately be a boon to the cane-grower. I only hope that the Government will not sit tight after the Bill is passed, but would devise ways and means to ensure that the sugar-cane grower really benefits by its provisions.

Sir, I give my whole-hearted support to the measure.

THE HONOURABLE SAYIED MOHAMED PADSHAH SAHIB BAHADUR (Madras : Muhammadan) : Sir, if at this late hour in the evening I venture to take part in the debate, it is only to reply to some of the observations which were made by my Honourable friends who opposed the Bill. Sir, I am surprised, and very disagreeably too, at the attitude which was evinced by my Honourable

friend the Leader of the Progressive Party. I am surprised to find that one like him who, whenever an opportunity offered itself, took the Government to task always for their minding only their revenues without having the welfare of the people at heart. I am surprised, Sir, that one who always used to make such pathetic appeals to the Government not to run the administration as a lifeless machinery which served the needs and requirements only of the State, refusing to take note of the difficulties and distress of the people. I am surprised that one who has always in this way posed as espousing the cause of the people has taken objection to the very first step which the Government have taken to alleviate the distress of the people. Sir, I am surprised that one who always pleaded for practical steps to be taken to improve the economic condition of the people here, that one like him should now oppose this Bill which moves in the right direction of contributing to the economic uplift of the country. My Honourable friend Rai Bahadur Lala Ram Saran Das was of opinion that the industry against which this legislation is being enacted would suffer seriously from the effects thereof. My Honourable friend forgets that no industry can prosper unless there are people about in the country who could afford to purchase the products turned out by that industry. Sir, he forgets that 75 per cent. of the Indian population comprises agriculturists and that any measures that may be taken to ameliorate the condition of the people and improve the economic conditions in the country would be a miserable failure if they fail to take note of the requirements of the agricultural class.

THE HONOURABLE MR. HOSSAIN IMAM: On a point of order, Sir. I find that there is no quorum and I move that the House be now adjourned. We have been sitting for eight hours and it is convenient to adjourn at six o'clock.

(Here the bell was rung and a quorum obtained.)

THE HONOURABLE THE PRESIDENT: I would request Honourable Members to be in their places.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR: Sir, I was saying that whatever may be the measures adopted in order to improve the country industrially the conditions in the country are such that all measures intended to bring about an economic improvement in the country would fail to bring about the desired result unless those measures also took note of the needs and difficulties of the agricultural classes. Sir, the agriculturist is the foundation on which the whole economic structure of the country rests and whatever efforts might be made to improve the superstructure by making improvements industrially or otherwise, the structure is bound to break down unless steps are also taken to strengthen the foundation by improving the hard lot of the agriculturist. Therefore, Sir, I feel that this measure which the Government has proposed is the very first of its kind and one which represents the first step which the Government are taking in the right direction and I congratulate the Education, Health and Lands Member for having brought forward this measure and I would appeal to him that having taken this step in the right direction he would see to it that the Government persists in this course and try to follow up this measure by enacting similar measures in order to raise the level of prices of agricultural produce.

[Saiyed Mohamed Padshah Sahib Bahadur.]

Sir, another Honourable friend who took objection to this measure did so on the ground that after all this Bill might prove only to be a pious hope and that there was no guarantee that the relief that is being attempted to be given to the agriculturist would actually be given to him. In developing this argument he conjured up a vision depicting the piteous plight in which the cane-grower would find himself exposed on all sides to exploitation, exploitation by factory owners, exploitation by people who come under the category of licensed purchasing agents. I would request this Honourable friend to have some patience and see whether the steps taken to give effect to this measure would or would not be such as would be calculated to bring about the desired result. The Bill makes it clear that any rules that might have to be made by the Local Government in giving effect to this measure would be first published in the Gazette whereon suggestions would be invited. I feel, therefore, Sir, that people who entertain these doubts about the way in which this measure will be administered, would do well to make those suggestions to the Local Government and help these Local Government to devise ways and means to help the agriculturist as far as possible to benefit from the measure.

Sir, in this connection I would request the Government to try and help the formation of co-operative societies. My Honourable friend, Mr. Mehrotra, gave us an account of the way in which the co-operative societies were functioning to the great advantage of the cane-growers. He told us how these joint stock companies ordinarily give much less than what the cane-grower usually gets from the co-operative societies. I would therefore request the Government that they should do their level best to see that these societies are started so that the cane-growers might sell the produce to the societies and thus be saved from being exploited either by the factory owners or by the middlemen.

Sir, there is one more suggestion I would like to make. I would suggest  
 6 P. M. that this Bill be put into effect at one and the same time throughout India for otherwise factories in adjoining places would be placed in an invidious position. Some factories in what would be constituted a controlled area would have to pay much more than others where this law has not been put into effect. I would also request the Government to take steps to see that some such arrangement is also made in the Indian States. I know, Sir, that we cannot force the Indian States to pass this kind of law, to enforce this law if they are not minded to do it. But the Government can very easily enforce the application of this salutary measure by trying to impose an excise duty upon sugar which is manufactured in Indian States where this kind of legislation is not in force.

With these observations, Sir, I support the measure.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: With your permission, Sir, I beg to move that this House do now adjourn till tomorrow. Sir, my reasons are that we have been sitting from ten o'clock and it is now past six. On previous occasions when we have sat late, we have risen for tea and today we have not even done this. I think, Sir, it would be very convenient if the House is now adjourned till ten o'clock tomorrow.



**THE HONOURABLE THE PRESIDENT :** The question of the adjournment of the House rests altogether with the President. He has to decide for what time the Council is to sit. I quite realize that this morning Members have been sitting here since 10 o'clock, and I propose to adjourn the House after the consideration stage has been passed. I believe there are not more than two or three speakers.

**\*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) :** Sir, I find it difficult to deal with this Bill in the calm manner in which I would have liked to discuss it. While on the one side from the agricultural point of view I would welcome every measure which would give the agriculturist any relief, I have been told, Sir, that from the industrial point of view it is not so desirable, by our Honourable colleague the Maharajadhiraja of Darbhanga. That this Bill has been brought with good intentions no one can doubt. But whether this will be effective in curing our ills is the real question before the House.

**THE HONOURABLE SAIYID RAZA ALI :** What are those ills ?

**THE HONOURABLE MR. HOSSAIN IMAM :** I will recount them. Medical science has found that there are certain diseases the presence of which prevents the appearance of other diseases. Sometimes diseases are inculcated to cure other diseases, and on the same analogy I find that this Bill is intended to do something of the same kind. By introducing this Bill, we are subjecting the tenantry to some other ills in the hope, which may not be fulfilled, that some other malady with which they are suffering will be cured. Why I would like to support this measure is that at the time of the Tariff Board enquiry it was given out that sugar-cane-growers would get a certain amount of price. That price has not been realized. That is the decision for bringing in a measure of this kind. But the fact that there are so divergent qualities of sugar-cane—the condition of the cane makes all the difference in its being fresh—

**THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR :** Who is going to judge the different varieties of cane ?

**THE HONOURABLE MR. HOSSAIN IMAM :** As far as that is concerned, we know, Sir, that human ingenuity can do many things, but there are more things than human ingenuity can encompass. I have a deep-rooted distrust of the executive authorities to frame rules. I voiced when we were discussing the Sugar (Excise Duty Bill) that the rules should be laid on the table. I would appeal to the Government that all the powers should not be centred in the executive but that the Legislature should also have at least concurrent powers. Sir, the difficulties which the Honourable Maharajadhiraja of Darbhanga pointed out in the working of this Bill are to my mind very pertinent questions, and unless they are elucidated by the Honourable Member in charge in his reply, we will be in doubt. Sir, we are fixing controlled areas. The question arises as to what effect it will have if we do not make this applicable to the whole area. If one portion is controlled, the result will be that the factories will not purchase cane from that area but will go out, and as that will not be a controlled area, they will be able to victimize the sugar-cane-growers of the controlled area.

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\* Speech not corrected by the Honourable Member.

**THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON :** What about the cost of transport from distant parts ?

**THE HONOURABLE MR. HOSSAIN IMAM :** That is a very pertinent question and the reply to that is, what is there to prevent them starting firms of their own ? They will have a firm nominally as their own which they will sub-let to the tenantry. They have got ample money. The result will be that all these tenants who now have a freehold will become slaves ; they will become *kamyas*. We had that example in my province.

**THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON :** It is not the case in my province.

**THE HONOURABLE MR. HOSSAIN IMAM :** The indigo planters exploited the tenants. If you pass this, it is quite on the cards that something on those lines will occur. The tenants are in abject poverty. They need money. They will go to these mills and ask them to give them advances. The mills will advance Rs. 20 or Rs. 50 on the condition that in consideration of the loan, which will be free of interest, they will have to sell the cane at certain prices. Otherwise, they will have to pay interest at a very high rate. We have no Act to stop the high rates of interest. There are a thousand and one ways of over-riding these provisions. The real trouble of the tenantry is to find a suitable market for their produce. Sir, the question of a suitable market depends upon the possibility of holding out. It is only when a producer is able to hold out and is not compelled to sell his produce at the first offer that you can establish prices. Without Government interference and with only the support of the tenantry, the co-operative societies can deal with these facts. We could then stabilize prices at rates which will be fair both to the tenantry and the mills. I have an open mind. I would much rather support a measure which is brought forward for the betterment of the agriculturist. But, Sir, I cannot complain myself of the troubles of the industry. That is all that I have got to say.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central : Non-Muhammadan) :** Sir, as far as the principle of the Bill is concerned, I am whole-heartedly in agreement as a co-operator. In my co-operative factory I have attempted the same thing and fixed the price. But, Sir, I think that the way in which this Bill is going to fix the price is next to impossible. It is only through co-operative societies that we can achieve the object, but not in the way that Government is going to do it. Sir, this is purely a question of supply and demand. If particular areas where a mill is located has got an abundance of cane and the Government fixes the price the cane-growers are sure to lose. I am saying it from my own experience. I have visited factories where cane carts in thousands stand at the gate, not for a day or two, but for weeks, and they will not go back unless their cane is taken. The result will be that the factory owners will select the number of carts required for the particular day and refuse others. When they will come to them the next day, they will say that the cane has deteriorated, on account of waiting for two or three days and has dried and that they cannot pay the same price as they pay for carts which bring fresh cane. Who is going to decide in these circumstances ? What will be the fate of these

cane-growers? Either they will have to take back their cane and try the indigenous system of making *gur* in which case the cane will be dry and they will have to pay for cartage also. Then we find that for the better growth of the canes of the same quality, whether it is 213 or 214, it all depends upon the way in which it has been manured and watered. A particular tenant may have taken a particular interest and his cane may be very good. Another tenant living side by side may not have taken so much care and his cane is inferior. May I know, Sir, whether the Government is going to make arrangements for the inspection of every field at the outset? And even if they had it at the outset the cane sometimes deteriorates after a certain month, and if the cane is not taken by the factory in that month it will deteriorate. Then, if that cane is brought to the factory, the factory owners will say, "Your cane is not of the same quality as fixed by the Government". Then what would be the result? I think the cane-growers will suffer ultimately. Sir, this question was considered by the Tariff Board also and they themselves were of opinion that it is very difficult to fix the price of cane though they would very much like to. They say on page 99 :

"It is clear that no practical measures can be taken to ensure that a definite rate for cane is paid to producers. Conditions differ so widely in India as regards output of cane per acre, the cost of cultivation and the sacrose content of the cane that no one scale of payment would be suitable to all conditions".

That is what the Tariff Board themselves consider and were of the opinion that it was very difficult. Then this question I understand was thrashed out in the Simla Conference and there also the members differed on this point. With your permission, Sir, I will quote the views of Dr. Gokal Chand Narang at the Sugar Conference held at Simla in July, 1933. There was considerable discussion on the subject. The Honourable Dr. Gokal Chand Narang, Minister for Local Self-Government and Member in charge of the Industries Department, Punjab, averred that the price of six annas being paid for the cane was an economic price. He stated that he had calculated that the cultivator was getting cent. per cent. profit on his investment and that he was convinced that the cultivator was not being unfairly dealt with. He also stated that it was wrong to penalize the factories consuming only five per cent. of the total quantity of canes. The *khandsaris* were known to be paying only three annas or even less per maund of cane to the cultivators. That, Sir, is also a very important question, whether the price is going to be fixed for the *khandsaris* also. These *khandsari* factories are established in the interior at long distances from roads and stations, and is the Government going to set up an agency to go into the interior and fix prices there and see that that is carried out. Supposing the Government is able to do that, what will be the result? The result will be that the *khandsari* system will fall to the ground, because it is only on account of the cheapness of cane which they can get at places where transport to factories is difficult which enables them to carry on.

THE HONOURABLE SAIYID RAZA ALI : This clause is only meant to apply to factories.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : I know, Sir, but it will apply to *khandsari* concerns employing more than 20 men.

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**THE HONOURABLE SAIYID RAZA ALI :** It is not only the number of men employed but the use of power. *Khandsaris* do not use power.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** Sir, I think my friend is mistaken. The sugar produced by the open pan system of these small factories also comes under the same category and therefore this clause will certainly affect them. Then, Sir, in one district there may be three or four factories while another adjoining district has no factory. The price in the latter district would be much cheaper. May I know from Government whether they are going to fix prices for all districts whether there is any factory or not? If they are not going to do that I think the factories would transport the cane from those districts where prices have not been fixed. For instance, in my district of Sitapur there are three factories and in the adjoining district of Hardoi there is no factory. Cane in Sitapur is sold at four to five annas, while in the Hardoi district cane is being sold at two annas and even so nobody is ready to purchase it. What is Government going to do in such circumstances?

There is another important point. Is Government going to fix the maximum as well as the minimum price? Only recently due to competition between two factories, the price of cane which was five to six annas rose as high as twelve annas. So, since Government is going to have regard for the interests of the cultivator by fixing the minimum price, are they prepared also to have the same safeguarding clause for the protection of factories also?

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN :** A separate Bill.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** The Honourable the Leader says there will be a separate Bill. I think it would be in the fitness of things if the two Bills could have been considered together. We do not know what that Bill will be. Sir, in my province the question of relief for the agriculturist was taken up and the Government introduced two Bills, but when they were opposed by public opinion on the ground that those two Bills were not enough, they withdrew them and introduced four Bills. (Laughter.) So, Government might follow that analogy here! They should withdraw this Bill and bring in the two Bills together so that we may know all that Government is going to do and judge the position properly. These are the important points which I have in mind. I find that there are innumerable difficulties in the way of fixing prices, though I very much wish that somehow or other the cultivators may get a fair price. I have come to the conclusion that there is absolutely no other way but to register a number of societies at the places where the mills are located and get them made members of these mills. In that way the Government can alone solve the problem and not in this way.

**THE HONOURABLE SAIYID RAZA ALI (United Provinces : Nominated Non-Official) :** Sir, the agenda paper for today contains the consideration of four Bills and if one were to analyse those four Bills, one would find that two of them are purely financial measures and the other two are pieces of social legislation.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** How social ?

**THE HONOURABLE SAIYID RAZA ALI :** My Honourable friend asks, "How social ?" They are the words applied to enactments and measures of this character. Social legislation means legislation the object of which is to improve the position, mainly though not necessarily the economic position of society. That is why measures of this character are termed social legislation. In fact the words "social legislation" have a particular meaning of their own and I believe that if a book on parliamentary and constitutional procedure be looked up, the meaning would be found given in full.

Now, Sir, I for one thought that so far as these two pieces of social legislation are concerned, this House would with one voice welcome them ; but to my surprise—and the surprise perhaps arises from the fact that I have been absent from this Council for about seven years—to my surprise I find that discordant notes have been struck. A number of queries have been put and it has been sought to be made out as if a satisfactory working of this Bill would be a hopeless task. I find, Sir, one Honourable Member, I believe it was the Honourable Maharajadhiraja of Dharbhanga, put queries as to who is to investigate these cases, to whom are these cases to go, what are the courts that would try these cases, what procedure would be applicable to the cases, whether there would be an appeal, etc. I would invite the attention of this House to clause 7 which gives the rule-making powers to the Government, and if one were to look at some of its sub-clauses even cursorily, one would find definite replies to the queries addressed by the Honourable Maharajadhiraja. For instance, sub-clause (2) (a) refers to :

"the carrying out of inquiries preliminary to the exercise of the powers conferred by section 3".

The rules would say as to what should be the investigating agency and what matters should be taken into consideration. Sub-clause (e) gives the rule-making power with reference to :

"the authorities by which any functions under this Act or the rules made thereunder are to be performed".

These rules would prescribe the authorities and define the powers which these authorities would exercise.

**THE HONOURABLE MR. HOSSAIN IMAM :** Do I take it that we are giving legislative power to the Governor General in Council ? Are the functions of the Legislature to be discharged by the Governor General in Council ?

**THE HONOURABLE SAIYID RAZA ALI :** There is absolutely nothing to prevent if this House finds it suitable to make over certain powers to any executive authority. These are by no means unduly wide powers ; they are ordinary powers that are generally contemplated to be defined in the rules to be made by executive authority—

**THE HONOURABLE MR. HOSSAIN IMAM :** The House should pass an Act giving all the powers of this House to the Governor General in Council, that would be the best thing.

**THE HONOURABLE SAIYID RAZA ALI :** If my Honourable friend brings forward a measure, he will see what my position would be. Then the next sub-clause goes on to refer to :

“the records, registers and accounts to be maintained for ensuring compliance with the provisions of this Act”.

All these points therefore, as a matter of fact, are covered by specific sub-clauses of clause 7. Now, a query was addressed as to what would be the procedure applicable ? I may say very briefly that the procedure applicable would be the procedure laid down in the Code of Criminal Procedure. The question of appeals would be determined by the same Code. Apart from the Act under which a prosecution is launched, you have to abide by the procedure laid down in the Criminal Procedure Code. Your right to go in appeal to the appellate court and the High Court subsequently is determined by that Act.

**THE HONOURABLE MAHARAJADHIRAJA SIR KAMESHWAR SINGH OF DARBHANGA :** I had certain doubts and I wanted them to be cleared by the Honourable Member in charge. I hope I shall hear in due course what the Honourable the Leader of the House has to say in the matter.

**THE HONOURABLE SAIYID RAZA ALI :** So far as I can see, Sir, these are the sub-clauses in point. Another Honourable Member traversed vast ground and he raised points by way of query. I believe the Honourable the Leader of the House perhaps has been able to follow some of the arguments. I must confess my inability to have followed some of them. For instance, my Honourable friend's plea was that the Bill if passed into law would be fruitless, useless, either because factories will advance loans to the cultivator without interest or they will charge 20 to 25 per cent. interest. An argument of this character shows what the worth of the argument is. I am sure that my Honourable friend has something very serious at the back of his mind. The trouble is that that has not been very clearly expressed.

**THE HONOURABLE MR. HOSSAIN IMAM :** Alternate pleadings are allowed.

**THE HONOURABLE SAIYID RAZA ALI :** So far as I can see this is a very good measure indeed, and I am sure the Government are perfectly right in giving a chance to the poor cultivator. It may be that some of the apprehensions to which expression was given by my Honourable friend Rai Bahadur Lala Mathura Prasad Mehrotra are of a character not to be brushed aside, but he on his part was not in a position to suggest anything better.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** I have suggested co-operative societies.

**THE HONOURABLE SAIYID RAZA ALI :** My Honourable friend has made a suggestion and perhaps it is a practical suggestion. I believe that it will be considered in the quarters which have the power to do so, namely, the Treasury Benches. I for one am perfectly in favour for giving a fair trial to this Bill and see whether this Bill affords a certain amount of protection to the tenants against factory owners. I need not go into some questions of law raised by the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra. So far as I can see, the application of the Bill is limited to those agriculturists who are

to sell their sugar-cane to factory owners. It does not apply to the sale of cane to *khandsaris*. But to me it seems that there is absolutely no reason why Local Governments should not be given the power to fix a minimum price or maximum prices. It has to be done under sub-clause (2) of clause 3. It is not necessary that the Local Government should declare only one minimum price. It may be that a number of minimum prices having regard to the locality and the needs of the area will be fixed in this behalf by the Local Government. Sir, my submission is that even if some of the forebodings here expressed by the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra are going unfortunately to turn out true, the Bill is of such a character that a fair trial should be given to it. The extreme case, for instance, that he mentioned was this. Assume that a minimum price of six annas was fixed by the Local Government and the factory owners took the best cane—of a certain quality—at that price and rejected the rest ; in that case the poor tenant would be stranded. I hope, Sir, that this will not happen. Even if a case like this happened—and it is clear it is bound to happen very seldom—this Bill should be tested by experience. We shall see what difficulties arise in its working and whether those difficulties can be remedied by an amending measure which can easily be brought forward.

Only one more observation I will permit myself to make. It is this, Sir. I do not see why in a Bill of this character where all the powers given are to be exercised and all the action to be taken is to be taken by the Local Government, a certain controlling power has been reserved to the Governor General in Council. As a matter of fact, this Bill is of a character which need not have come to this Council at all but for the reason with which most of us are acquainted, namely, that a certain other measure has already been passed and it is meet and proper that the present Bill should also come before the Central Legislature. Otherwise this is a measure which ought to have come before the legislature of every province that is interested in sugar-cane growing or the sugar industry.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : It is only a pious measure with a pious hope.

THE HONOURABLE SAIYID RAZA ALI : Well, that is my view of the provisions of this Bill. If I am right, Sir, I fail to see why any controlling power should be given to the Governor General in Council. One can perhaps guess what was in the minds of those who drafted this Bill. Possibly this power might at times be useful in the case of minimum prices, etc., to be fixed in an area which lies on the borders of two or three provinces. It can be of some use in that case but, so far as I can see, I do not think it will be of much use. As a matter of fact, I expected very strong objection to be taken to this clause by the protagonists of provincial autonomy but I am surprised at their sitting quietly and I found no objection was taken either by the Leader of the Opposition or any other Honourable Member of his party to this particular power being reserved to the Governor General in Council.

\*THE HONOURABLE SARDAR BUTA SINGH (Punjab : Sikh) : Sir, I rise to support this Bill. It is equitable that, if protection is extended to any industry, the profits that accrue should be equitably distributed between the

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\* Speech not corrected by the Honourable Member.

[Sardar Buta Singh.]

producer of the raw materials and the manufacturers. I, however, see great difficulty in working out any formula which would operate automatically and fix the price of cane in relation to a rise or fall in the price of sugar. Full powers are given to Local Governments to fix prices according to local conditions, and believing that some workable solution will be found, I give my full support to this measure.

**THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON** (Punjab: Nominated Non-Official): Sir, with your kind permission, I will say just a few words. I confess that I never apprehended that there would be any opposition to this Bill in this Honourable House. The Bill is in the interests of a large section of the rural population—I mean the actual tillers of the soil—and I was under the impression that in this House where such a large majority of Honourable Members have the cause of the masses at heart, no one dare oppose the Bill. I do not see, Sir, why any landlord should object to the provisions of this Bill. This Bill provides that the tenants should get a good price for their sugar-cane, and if the tenants get good prices for their produce, the landlord's rent is secure. If the rent is in cash, it will be collected promptly and punctually. If the rent is in kind, then it will mean more money to the landlord.

My Honourable friend, Rai Bahadur Lala Mathura Prasad Mehrotra, has said that this Bill instead of doing any good to the tenants and cane-growers will do harm. I wonder, Sir, whether my Honourable friend has received any representation from that class. It was further said that there may be difficulties in working this Bill, but is there any reason why an attempt should not be made to overcome those difficulties and why should we leave the interests of such a large section of the rural population at the mercy of the mill-owners?

Sir, I heartily support the Bill.

**THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN** (North-West Frontier Province: Nominated Non-Official): Sir, I never wanted to participate in the debate because I came back from Lahore late last night, but having heard the arguments, Sir, the first thing that strikes me is this. At whose suggestion has this legislation been brought in? My impression was that it was for the benefit of the tenants. But when I read through the Bill, Sir, no such laws have ever been framed for the benefit of the tenants when he is selling his wheat, when he is selling his barley, when he is selling his other articles, no such legislation has ever been thought of by business men that he should sell his goods at such and such a rate. Well, this is a peculiar Bill, Sir, that the tenant is to sell his article for so much. I should say, Sir, that this is for the landlord and the tenant. After all, nobody in these days is so brainless that he cannot see to his own advantage. After all, there is the tenant, there is his landlord, and they will try to get the best prices in the market. They will not sell their things in a place where they will not get money for it. I mean to say, when the Government comes forward and takes the championship of the zemindar, of the landlord and the tenant, it seems to me a very peculiar thing, because the



landlord and the tenant are not minors, they are not under the Court of Wards, they are grown-up men, they can see to their own advantage—I mean to say, which is the best market and where they can get the best price. I have seen people taking their products 40 miles in carts in order to fetch better prices. Well, in a case like this there are so many sugar-cane factories. The question which strikes me is that it is a very peculiar thing, Sir, that when the factories are springing up everywhere and the cane-grower can in these days of road facilities transport their cane to the mills, I do not know why Government should come and champion their cause. They have not had any representations from tenants or from landlords, at least nothing has been circulated to us, and I have never seen as a Member that any complaint has been made by the tenants or landlords that they cannot get good prices for their products. (*An Honourable Member*: “Are there many factories in your province?”) Well, there are two or three. But on principle, I object to the thing. Tomorrow somebody will come and say, “This land is yours but the product will be regulated by the Deputy Commissioner for you”. I do not like the idea that somebody should come and interfere with my business. It is a very peculiar thing. Tomorrow in this House the Leader of the House will come to me and say that I am to wear such and such a suit. I do not want such things to be dictated to me. As I pay the Government land revenue, I do not see why the Leader of the House or anybody should come and dictate terms to me because when I do not want his help why this help is coming I do not know. That is one thing that strikes me.

Another thing that is doubtful is this. Suppose a cane-grower wants to preserve his cane for seed and does not want to sell it at all; according to this Bill, he will have to sell it. That will be a peculiar provision. I want to be clear on that point—that if he wants to sell, he will get the minimum price, but if he wants to preserve it for the next crop, whether he will be compelled to sell it. That is one thing I am not sure of. Again, I am quite willing to admit that some tenants might not be able to secure better prices. If the Bill is brought in to champion their cause, in order to get for them a better price, I will be whole-heartedly for it. But if they want to take away the power from the cane-grower and the zemindar of the place where the cane is grown, I do not think that I can support the Government in any way. Today a Bill has been brought in for the cane; tomorrow it will be for wheat, the next day for barley, the next day for my own food, that I am to eat only one meal a day or two meals or no meals at all. This is a very peculiar thing. We are told that we are advancing. On the other hand, Sir, we are experiencing something very peculiar. When the British Government came, at least to the Punjab in 1849, there was no such regulation brought in. We were left to our own land; the thing was entrusted to us. We have not been defaulters in paying land revenue. If this Bill is to apply only to defaulters, then the Honourable the Leader of the House has some ground, and we will back him. But when the landlord is not a defaulter, when he pays the Government land revenue, and the tenant is not asking for help from Government, and the Government, of their own accord, come in and say, “Look here, I am going to make this law for you”, it seems to me a very peculiar thing. If Government help is not solicited, why should they come forward and put their finger in the pie and say that they will have this interference? Uncalled

[Major Nawab Sir Mahomed Akbar Khan.]

for interference, I call it. As I have not studied the Bill,—I came very late and did not study the Bill, that is why I did not want to speak. But as it concerns me a good deal, because I own a very big estate on the frontier, I am very doubtful about it. After listening to the speech of the Honourable Maharajadhiraja of Darbhanga it seems to me that there is going to be some interference with the produce of the landlord and the tenant. If there is going to be—

**THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON :** There is no such interference.

**THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN :** I want that assurance not from my Honourable friends. They may say anything. The Honourable Saiyid Raza Ali was at pains to produce some new argument, some new meaning; but I think the Honourable Maharaja dhiraja of Darbhanga, when he was asking, was asking the Honourable the Leader of the House. I have got my brains and I know the law just as much as any of these Members do. I do not want their interpretation of the Bill. I want the interpretation of the Honourable the Leader of the House. I am doubtful. If he clears the points, then I will support him. Otherwise, I will reject the Bill. It all depends on his explanation.

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN :** Sir, I did not expect really that I will have to answer so many questions, nor did I expect that there will be so many people entertaining doubts and suspicions, nor did I expect that my friend the Leader of the Opposition, the Leader of the Progressive Party, will entrench himself in the well-guarded citadel of capitalism. However, one ought to be prepared for surprises, and therefore I was not altogether unprepared to meet the debate that has actually taken place on this Bill. Just to analyze the debate, I think it will be best for me to allay the suspicions of the last speaker, my Honourable friend from the North-West Frontier. I know he is a very careful landlord and a still more careful controller and keeper of money. Therefore, anything which might even remotely appear to go anywhere near the things he is interested in, he is up in arms to see that he does not in any way suffer. I can assure him that this piece of legislation has been brought up at this particular time because of the Sugar Excise Bill. But independently of the Sugar Excise Bill, the need for it was visualized as long ago as last July when the Sugar Conference was held. The position as depicted to the Conference was something like this. There are a few factories in a large cane-producing area. Undoubtedly, the establishment of a factory in a sugar-cane-producing area raises the price of the sugar-cane, because it enables the producers of sugar to pay a better price for the sugar-cane than the growers are likely to get, if they take the sugar-cane for making *gur* or *shakkar*. But there are mills and mills, and there are managers, and managers. As was very frankly put by the Honourable Mr. Mehrotra, there are mills which have not quite been playing the game. We have at their gate 50 cart-loads of sugar-cane. Some come from a mile, others from five miles, others from ten miles. The manager says, "*Chale jao*, I do not want it". What is the man to do? He cannot take back the cane ten miles away. He cannot keep it there, because the manager of the factory says that he does not want it.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Can you force the sale on the factory ?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : If you will possess your soul in patience and see the argument developed perhaps that question will be answered. The position he took up was that he did not want this cane, not because he actually did not want it, but because he wanted to beat him down in the price. While a fair price might have been anything between five and six annas, he would have either to take away his cane or, through generosity on the part of the manager, he may give him four annas or three annas. Is that fair ? Is that what Honourable Members want ? (*Several Honourable Members* : " No, no ".) Again, a man has brought his cart load ; he has been kept waiting for a day or perhaps two with a cart-load of 50 or 60 maunds ; when the day is waning and he is anxious to get away, we were told in the Conference that they weighed it as they liked. That is surely not what the Honourable Members think is fair and square. The position disclosed was that when you put the wolf and the lamb together and advise them to co-operate, the next day that co-operation ends in the one being inside the other. Therefore it is obvious that the position cannot be left to itself to be settled. It will be settled, but in what way ? Again it is said you cannot force this price on people. But surely you cannot let the matter lie without making some effort. How difficult it is, was realized by the Sugar Conference and by Government when it went through the proceedings of the Simla Conference and the resolutions passed there. There were enormous difficulties in the way of taking any action which would be uniform throughout all provinces. It was also found that zoning was open to serious criticism, that fixation of prices was open also to very many difficulties. Further it was found there were varying conditions in different areas. Where factories were few and the cane crop large the problems were quite different from those where the number of factories was large and the area under cane was not very large. There the cane-grower was not as badly off as the places where the cane produced was large and in excess of the requirements of the factories. Well, Sir, either Government has to let these things take their course and let the stronger have his way while the weaker goes to the wall, or Government has to make an honest effort to see that the weaker has a fair deal. There is no doubt that the stronger should not get an undue advantage out of the position by virtue of his strength. That, Sir, is the ideal of the Bill. It very naturally gives rise to all the questions that have been put to me. I will presently state what I have to say in connection with those questions. Frankly, I am not prepared to answer each one of those questions, because we have not even in our own minds arrived at the solution for every one of the difficulties which have been pointed out to us. Why ? Because the difficulties and their solution must depend upon local conditions. The way a problem may have to be met in the United Provinces may not be the way in which it has to be met in Bihar, and what the Bihar Government may think to-day may be quite different from what it may think tomorrow. In July last the Bihar Government had one definite view, as was stated by the Honourable Maharajadhiraja Sir Kameshwar Singh of Darbhanga. But the pressure of public opinion in their own local Council was so great that I understand a committee had to be appointed. That committee met and reported

[Khan Bahadur Mian Sir Fazl-i-Husain.]

and but for the great misfortune which befell them in the shape of the earthquake the Local Government would have proceeded further with the report of that committee. However, it is not without consulting them that the present

7 P.M.

Bill has been produced. There are three essential points in this Bill. The first is that it is permissive. It does not compel every province to adopt it or to enforce it. The Government of India has been subjected to a good deal of criticism. "You should have made it apply to all provinces". We considered that matter very carefully and came to the conclusion that it was not right to do so. After all, it is not only that the question of provincial autonomy is involved in it, but also it is only Local Governments that are fully acquainted with local conditions and local problems, and the question of solving those problems is essentially within their knowledge rather than within the knowledge of the Government of India. The subjects with which this Bill is concerned are provincial subjects. Industries is a transferred provincial subject. Agriculture again is a transferred provincial subject. Co-operation similarly is a transferred provincial subject. Surely it would be entirely wrong on my part here in this Bill to go laying down a full scheme of how the thing should be done. It would never work. I claim, Sir, that in having left this Bill so bare and so elastic I have done the right thing. Again, not only was there the need for making provision, but since this Excise Bill has come before the Legislature the need became more pressing. The factory and millowner has a certain imposition fixed on him by Government. Some money has got to be paid out of what he gets. Will he give that money out of his hoard or will he try to pass on that imposition in its entirety or to a very large extent on to the cane-grower? It was felt, Sir, by Government that if it is correct that in many cases the cane-grower does not get more than four annas a maund, and if the factory owner paid him still less because of this excise duty, the condition of the cane-grower will need watching. If he is a tenant, the landlord will not be able to get much out of him. If he is himself a small landowner, he will not be able to pay either Government dues or anybody else. And even if he is a large owner but not at the same time a factory owner, he will find the profits not as much as he was entitled to expect. That is why, interrupting my honourable friend from the Frontier Province, I felt sure that he could have no doubt whatsoever as to this Bill being the thing that he stands for and supports.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN : Sir, with your permission, may I just ask one question of the Honourable Member? I just want to know whether the tenant or landlord, if they do not wish to sell their cane, can be compelled under this Act to sell?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN: There is no provision in the Bill which in any way compels the cane-grower to sell his cane. He might reserve it if he has enough money with him to pay his rent and pay his dues.

One of the best speeches made during the course of the debate was undoubtedly that of the Honourable Maharajadhiraja of Darbhanga and I claim, Sir, that that speech was a most eloquent justification for the measure under discussion. He placed most graphically before this House the condition in the countryside in Bihar; how interested people, ill-minded people, vicious

people were going about the country, so to speak, seducing poor cane-growers, cultivators of the soil from discharging their obligations and from doing their duty by themselves, their families and their landlords. If, Sir, these poor cane-growers found that the prices they were getting last year or even this year were not available to them next year, on account of the excise duty, would they believe they were being fairly treated? Would not the very persons who go among them asking them to refuse to pay their dues to landlords because they are being unfairly treated, have an excellent handle to use effectively in making them believe that they were the people for whom nobody cared, neither the landlord nor the Government, that they were the only people who sympathized with them and were ready to help them? Sir, the one safeguard the landlords of India have against all such evil-minded persons and against all subversive movements is to deal fairly and generously by their tenants and the object of this measure is not to prejudice the interest of landlords against tenants, nor the interests of factory owners against cane-growers, but to afford the requisite machinery to see that no one class imposes its will on the other, but that their differences, their business arrangements are settled in an amicable manner, in a manner which is free from all show of force, passion or violence. What really is in the Bill? I had mentioned that it consists of three clauses only. Clauses 3 and 4 make provision for proclaiming controlled areas and fixation of prices. Clauses 5 and 6 lay down the penalty; clause 7 gives the rule-making power. Clause 7 would show that at every stage what is wanted is affording machinery for different interests to come together; whether it is the factory owner or it is the cane producer, whether it is the tenant or his landlord, the object of this measure is that advisory committees be established, so that all these interests may come together and talk matters over. Factory owners can say, "We are making very little". If they are honest and straightforward, they would be ready to bring forward their books and establish their case. Tenants may say, "We want ten annas, twelve annas"—some fictitious price. They will be told, "That is all nonsense: you would probably get two or three annas; if we can give six annas it is very good". Therefore the object of this Bill is to afford Government help, assistance, to bring all these varying interests together, so that they may compose their differences, arrive at settlements and the whole thing settled smoothly instead of as if they were all at war. They would be at war if something were not done. There would be no co-operation unless something were done. What is that something which can be done in order to do away with these alternatives? What other alternative can any one of us here offer? I said in my first speech that this Bill is by no means perfect. I myself do not claim that it is a sort of panacea for all the ills from which the cane-grower suffers.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** It is only a skeleton Bill.

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN:** I can also indulge in these innuendoes. It is a skeleton Bill for only those who wish to convert cane-growers into skeletons, but for those who mean to play fair with them this Bill can afford every reasonable facility to do the right thing. But you cannot make those who do not want to do the right thing to do it by legislation. This Bill, as I said, can prove a very useful weapon for those who wish to bring the clashing interests together. I do not say that it is such a

[Khan Bahadur Mian Sir Faz'-i-Husain.]

weapon that it cannot be abused. It can be abused. Whether the number of those who would abuse it will be greater than the number of those who will use it for good purposes has to be seen, as also whether the country has developed public opinion which will see that the number of those who want to render beneficial social legislation useless is small or great. I trust the number of those who want to compose differences is already increasing and I trust it will continue to increase. The future of India depends upon that class increasing and the class which makes for disruption decreasing. Sir, it is with every confidence that I commend this Bill to the House and I trust that it will prove efficacious in such provinces in which it would be used. (Applause.)

THE HONOURABLE THE PRESIDENT : The Question is :

“That the Bill to regulate the price of sugar-cane intended for use in sugar factories, as passed by the Legislative Assembly, be taken into consideration.”

The Motion was adopted.

The Council then adjourned till Ten of the Clock on Friday, the 27th April 1934.