

4th April 1939

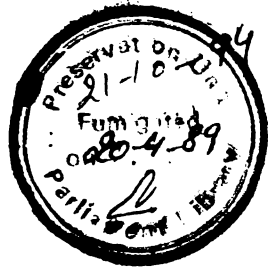
**THE
LEGISLATIVE ASSEMBLY DEBATES**

(Official Report)

Volume IV, 1939

(30th March to 15th April, 1939)

**NINTH SESSION
OF THE
FIFTH LEGISLATIVE ASSEMBLY,
1939**



**PUBLISHED BY THE MANAGER OF PUBLICATIONS, DELHI.
PRINTED BY THE MANAGER, GOVERNMENT OF INDIA PRESS, SIMLA.
1939.**

27-28

LEGISLATIVE ASSEMBLY.

President :

THE HONOURABLE SIR ABDUR RAHIM, K.C.S.I.

Deputy President :

MR. AKHIL CHANDRA DATTA, M.L.A.

Panel of Chairmen :

MR. S. SATYAMURTI, M.L.A.

DR. SIR ZIAUDDIN AHMAD, C.I.E., M.L.A.

SIR COWASJI JEHANGIR, BART., K.C.I.E., O.B.E., M.L.A.

MR. A. AIKMAN, C.I.E., M.L.A.

Secretary :

MIAN MUHAMMAD RAFI, BAR.-AT-LAW.

Assistants of the Secretary :

MR. M. N. KAUL, BAR.-AT-LAW.

RAI BAHADUR D. DUTT (Upto 31st March, 1939).

KHAN SAHIB S. G. HASNAIN, B.A. (From 10th April, 1939).

Marshal :

CAPTAIN HAJI SARDAR NUR AHMAD KHAN, M.C., I.O.M., I.A.

Committee on Petitions :

MR. AKHIL CHANDRA DATTA, M.L.A., Chairman.

MR. A. AIKMAN, C.I.E., M.L.A.

MR. M. S. ANEY, M.L.A.

SYED GHULAM BHIK NAIRANG, M.L.A.

MR. N. M. JOSHI, M.L.A.

CONTENTS.

VOLUME IV.—30th March to 15th April, 1939.

	PAGE.		PAGE.
THURSDAY, 30TH MARCH, 1939—		MONDAY, 3RD APRIL, 1939—	
Members Sworn	9005	Members Sworn	3187
Starred Questions and Answers	9005—21	Starred Questions and Answers	3187—3214
Transferred Questions and Answers	9021—43	Motion for Adjournment re Kidnapping of five Frontier Hindus by armed Torikhel Wamisris of the Trans-border Area in the Bannu District—Disallowed	3214—15
Short Notice Question and Answer	9043—45	The Coal Mines (Stowing) Bill—Discussion on the consideration of clauses not concluded	3215—61
Declaration by H.E. the Governor General in Council	9045	TUESDAY, 4TH APRIL, 1939—	
Election of Members to the Standing Committee for the Department of Communications	9045—48	Starred Questions and Answers	3263—82
The Repealing and Amending Bill—Extension of the time for the presentation of the Report of the Select Committee	9048	Unstarred Question and Answer	3283
The Registration of Foreigners Bill—Discussion on the consideration of clauses not concluded	9048—88	The Coal Mines (Stowing) Bill—Passed as amended	3283—87
FRIDAY, 31ST MARCH, 1939—		The Indian Tariff (Second Amendment) Bill—Discussion on the motion to consider not concluded	3287—3332
Starred Questions and Answers	3099—3136	WEDNESDAY, 5TH APRIL, 1939—	
The Sugar Industry (Protection) Bill—Introduced	3136	Starred Questions and Answers	3333—75
The Indian Tariff (Second Amendment) Bill—Introduced	3136	Election of Members to the Standing Committee for the Department of Communications	3376
The Indian Tariff (Third Amendment) Bill—Introduced	3137	Message from the Council of State	3376
The Registration of Foreigners Bill—Passed as amended	3137—90	The Repealing and Amending Bill—Appointment of Mr. F. E. James to the Select Committee	3376
The Employment of Children (Amendment) Bill—Amendments made by the Council of State agreed to	3180—83	The Indian Tariff (Second Amendment) Bill—Motion to consider adopted	3376—3422
The Coal Mines (Stowing) Bill—Discussion on the motion to consider not concluded	3183—85		
Statement of Business	3185		

PAGES.	PAGES.
THURSDAY, 6TH APRIL, 1939—	FRIDAY, 14TH APRIL, 1939—
Starred Questions and Answers 3423—45	Starred Questions and Answers 3703—16
Postponed Question and Answer 3446	Unstarred Questions and Answers 3716—17
The Indian Tariff (Second Amendment) Bill—Passed as amended 3446—72	The Sugar Industry (Protection) Bill—Passed. 3717—50
The Sugar Industry (Protection) Bill—Discussion on the motion to consider not concluded 3473—91	The Indian Tariff (Third Amendment) Bill—Motion to consider negatived. 3750—63
Statement of Business 3492	The Indian Rubber Control (Amendment) Bill—Referred to Select Committee 3763—64
TUESDAY, 11TH APRIL, 1939—	The Indian Tariff (Second Amendment) Bill—Amendment made by the Council of State agreed to 3765
Member Sworn 3493	The Chittatong Port (Amendment) Bill—Discussion on the motion to consider not concluded 3765—67
Starred Questions and Answers 3493—3517.	
Statements laid on the Table 3517—37	SATURDAY, 15TH APRIL, 1939—
The Hindu Women's Right to Divorce Bill—Presentation of Petitions 3537	Starred Questions and Answers 3769—87
The Indian Succession (Amendment) Bill—Passed. 3537—40	Statements laid on the Table 3787—90
The Hindu Women's Right to Divorce Bill—Discussion on the motion to refer to Select Committee not concluded 3540—96	Reports laid on the Table 3790—92
WEDNESDAY, 12TH APRIL, 1939—	Message from the Council of State 3792
Starred Questions and Answers 3587—3639.	Message from H. E. the Viceroy and Governor General 3792
Unstarred Questions and Answers 3639—49	The Indian Tariff (Third Amendment) Bill (as recommended)—Motion for leave to introduce negatived 3792—95
Message from the Council of State 3649	The Chittagong Port (Amendment) Bill—Passed 3795—3802.
Draft Convention concerning Statistics of Wages and Hours of Work in the principal Mining and Manufacturing Industries, including Building and Construction and in Agriculture, adopted by the International Labour Conference 3649—56	Position of the Indian Oaths (Amendment) Bill and the Commercial Documents Evidence Bill 3802—03
Resolution re—	The Criminal Law Amendment Bill—Passed 3803—34
Position of Women under the Existing Laws—Adopted as amended 3656—95	The Indian Soft Coke Cess Committee (Reconstruction and Incorporation) Bill—Passed 3834—36
Non-Indian companies and Protective Tariffs—Discussion not concluded 3696—3701.	The Hindu Women's Right to Divorce Bill—Presentation of the Report of the Committee on Petitions 3836

LEGISLATIVE ASSEMBLY.

Tuesday, 4th April, 1939.

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

STARRED QUESTIONS AND ANSWERS.

(a) ORAL ANSWERS.

PERSONS IN GOVERNMENT SERVICE OF COUNTRIES PROHIBITING THE ENTRY OF INDIANS IN THEIR SERVICES.

1492. *Mr. T. S. Avinashilingam Chettiar: Will the Honourable the Home Member state :

- (a) whether there are in the services of the Government of India any persons from countries which have prohibited the entry of Indians in their services;
- (b) if so, what is their number; and
- (c) to which countries they belong?

The Honourable Sir Reginald Maxwell: The information is being collected and will be placed on the table in due course.

REDUCTION IN THE NUMBER OF MADRAS REGIMENTS.

1493. *Mr. T. S. Avinashilingam Chettiar: Will the Defence Secretary state:

- (a) what the number of Madras Regiments in 1857 was;
- (b) what their number in 1900 was;
- (c) what their number now is; and
- (d) what the reason for their reduction is?

Mr. C. M. G. Ogilvie: (a) The Madras Army included three regiments of cavalry and 52 regiments of infantry.

(b) 3 regiments of cavalry.

19 battalions of infantry.

3 battalions of pioneers.

(c) Three Indian cavalry regiments and nine Indian Infantry battalions of the present Indian Army formed part of the old Madras Army. Their class composition has, however, been changed.

(d) It was due to a reduction in the number of units and changes in organisation and class composition. I also refer the Honourable Member to the speech of His Excellency the Commander-in-Chief on the Resolution moved by the Honourable Sir David Devadoss in the Council of State on the 13th September, 1938, regarding enlistment of Madrasis in the Indian Army.

Mr. T. S. Avinashilingam Chettiar: May I know whether Government are aware of the feeling in the Madras Presidency that greater enlistment should be made from that Presidency?

Mr. C. M. G. Ogilvie: They are so aware.

Mr. T. S. Avinashilingam Chettiar: May I know whether they have considered that feeling and come to any conclusion as to raising troops for the Indian Army from that Presidency?

Mr. C. M. G. Ogilvie: Government have, of course, considered the feeling, but at present they have no intention of altering their present policy of recruitment.

Mr. S. Satyamurti: May I know whether the Government of Madras have addressed the Government of India officially or unofficially on this question, and have they pressed the claims of Madras for larger recruitment in the Indian army?

Mr. C. M. G. Ogilvie: So far as I am aware, not recently.

INDIA AND IMPERIAL DEFENCE.

1494. ***Mr. S. Satyamurti:** Will the Defence Secretary please state :

- (a) whether his attention has been drawn to the leading article entitled 'India and Imperial defence' in the *Hindu* of 18th February, 1939;
- (b) whether it is proposed to mobilise the forces of this country in case of war or grave emergency for the purpose of mobilisation;
- (c) whether it is proposed to empower the Governor General to direct the Provincial Governments to act in a particular way in times of war;
- (d) whether Government have any knowledge of the position which General Sir John Burnett-Stuart assigns to India in his scheme of decentralised Imperial Defence, namely "India has already direct military interests extending from the Persian Gulf through Burma to Singapore and she might extend her sphere to include Iraq";
- (e) whether the Government of India have been consulted on this matter;
- (f) what are the financial commitments of any such responsibility being undertaken by India; and
- (g) whether public opinion will be consulted in this behalf before final decisions are arrived at; if not, why not?

Mr. C. M. G. Ogilvie: (a) Yes.

(b) In the event of war or of a grave emergency arising, it may be necessary to mobilise the defence forces of this country

(c) I refer the Honourable Member to the reply given by the Leader of the House to starred question No. 1281 asked by the Honourable Member himself on the 24th March, 1939.

(d) Yes It is quite obvious that the factors which condition the problem of India's defence are not limited to those which apply only within her own borders.

(e) The Government of India are consulted by His Majesty's Government in respect of all plans in which India's military interests are or are likely to be involved.

(f) The Government of India have entered into no financial commitments in respect of any operations unconnected with the defence of India.

(g) Does not arise.

Mr. S. Satyamurti: With reference to clause (b) of the question, may I know whether any preparations are now going on to mobilise the forces of the country?

Mr. C. M. G. Ogilvie: Preparations are, of course, always in train, and the forces of this country could be mobilised quite quickly.

Mr. S. Satyamurti: May I know whether any preparations on a scale of a contingency of war or grave emergency are now being made by the Indian defence forces?

Mr. C. M. G. Ogilvie: I cannot possibly say that.

Mr. T. S. Avinashilingam Chettiar: Have Government any intention of increasing the Auxiliary Forces of this country?

Mr. C. M. G. Ogilvie: Not at present.

Mr. Abdul Qaivum: Is it not a fact that £500,000 was accepted on the condition that Indian troops would be used outside India for Imperial purposes?

Mr. C. M. G. Ogilvie: I have already fully explained the nature of that award, which followed the award of the Garron tribunal, in answer to questions during this Session.

Mr. S. Satyamurti: With reference to the answer to clause (d) of the question, may I know whether any departure from the policy so far accepted, namely, that the primary duties of the Indian army, apart from internal security, are only the defence of the frontiers, is contemplated, and may I know whether operations outside India will depend upon His Majesty's forces?

Mr. C. M. G. Ogilvie: India must naturally depend upon His Majesty's forces to a very great extent in the event of any major war, especially outside this country.

Mr. S. Satyamurti: May I know whether the Government of India are being consulted with regard to direct military interests of India being extended from the Persian Gulf through Burma to Singapore, including Iraq, and whether there is any departure contemplated by the Government of India at the instance of His Majesty's Government or on their own initiative to extend the scope of the activities, to territories outside the borders of India?

Mr. C. M. G. Ogilvie: All I can say is that defence plans as a whole so far as they concern this part of the world are the subject of consultations between His Majesty's Government and India in respect of any place the occupation of which by a foreign power would affect India's direct interests. As regards any details of any particular operation, proposed or possible in the future, I, of course, cannot give them as they can only be dictated by the circumstances of the case if and when it arises.

Mr. S. Satyamurti: So far as the knowledge of the Government of India at present goes, may I know whether the Government have been consulted or they have agreed to the specific territories mentioned in clause (d) of the question?

Mr. C. M. G. Ogilvie: No specific territories have yet been agreed upon.

RACIAL DISCRIMINATION ABOUT VISITING OF H. M. S. "Norfolk".

1495. ***Mr. S. Satyamurti:** Will the Defence Secretary please state :

(a) whether his attention has been drawn to the following note in the *Statesman* of 27th February, 1939 :

"H. M. S. Norfolk, flagship of the East Indies station.....open to visitors to the general public on Tuesday and to Europeans on Wednesday"; and

(b) the reasons for this racial discrimination?

Mr. C. M. G. Ogilvie: (a) Yes.

(b) The Government of India have no information on this point. The necessary enquiries are, however, being made, and the Honourable Member will be informed of the result.

CHANGES IN THE METHOD OF RECRUITMENT TO THE INDIAN POLICE.

1496. ***Mr. S. Satyamurti:** Will the Honourable the Home Member please state :

(a) whether it is a fact that a change is to be made this year in the method of recruitment to the Indian police;

(b) whether the competitive examination is to be partly abolished and a certain number of vacancies is to be filled by selection; if so, how many and for what reasons; and

(c) whether Government have consulted public opinion in this matter; if not, why not?

The Honourable Sir Reginald Maxwell: (a) and (b). The attention of the Honourable Member is invited to the answer given by me on the 27th of last month to Mr. Abdul Qaiyum's starred question No. 1312. Of the 17 vacancies for Europeans in 1939, the Secretary of State will probably fill eleven by competitive examination and six by selection.

(c) No, as the new method of recruitment applies to the European quota.

Mr. S. Satyamurti: In view of the fact that these Europeans are serving in India, may I know the reasons why the Government of India have not seen fit to consult public opinion in this matter?

The Honourable Sir Reginald Maxwell: Well, Sir, no specific method of recruitment is laid down by section 244 of the Government of India Act. The discretion as to the manner in which he obtains his recruits rests entirely with the Secretary of State and he is presumably best competent to judge the best method of obtaining the European quota in Great Britain.

Mr. S. Satyamurti: May I know whether Government have been consulted in the matter, and will they give the reasons why the well known method of recruitment by competition has been given up partially now and is proposed to be given up wholly two years hence for the European section of the Indian Police service?

The Honourable Sir Reginald Maxwell: There is no definite proposal to give it up two years hence. The present method of recruitment is experimental and the results will be seen during the next two years.

Mr. S. Satyamurti: What are the reasons why nomination has been adopted even for the limited number of posts for which nomination is to be the source of recruitment during the next two years?

The Honourable Sir Reginald Maxwell: It was found that the competition of police service in other parts of the Empire was attracting candidates who would otherwise have been in the field of recruitment for India.

Mr. S. Satyamurti: May I know whether Government have any information that the character of candidates recruited in recent years by open competition was deteriorating?

The Honourable Sir Reginald Maxwell: The position was that a good number of candidates who would otherwise have helped to increase the range of selection for India were being attracted to the other openings offered to them and therefore India did not get the full field of selection which it used to have.

MISLEADING FILMS OF INDIAN LIFE.

1497. ***Mr. S. Satyamurti:** Will the Honourable the Home Member please state :

- (a) whether his attention has been drawn to the note on page 7 in the *Hindu* of the 24th February, 1939; entitled "Misleading films of Indian life";
- (b) whether the attention of Government has been drawn to the film 'Sacred India' and the ground stated in the article that the film is exceedingly unfair in its representation of Indian life; and
- (c) whether Government have taken or propose to take action on this matter to prevent such films being produced or distributed in other countries?

The Honourable Sir Reginald Maxwell: (a) Yes.

(b) My information is that the film was released for exhibition in the United Kingdom only after certain scenes which were considered to be offensive to Indian sentiment had been deleted by the British Board of Film Censors.

(c) I would refer the Honourable Member to the answer given by me on the 27th March, 1939, to part (c) of his question No. 1321A.

Mr. S. Satyamurti: May I know whether on the British Board of Film Censors there are any persons with experience and knowledge of Indian conditions, Indian feelings and Indian sentiments so as to guarantee that these films are properly excised and that there are no scenes exhibited which will affect the sentiments of the people of this country?

The Honourable Sir Reginald Maxwell: I do not know exactly how the Board of Film Censors was constituted in this particular instance but I do know of cases in which they have informally consulted the India Office to find out whether any part of the film was likely to be offensive or not.

M. S. Satyamurti: May I know whether the India Office has any machinery or personnel for getting Indians who understand Indian conditions to be represented on this Committee or Board or whichever advises the British Board of Film Censors to see these films and talkies and then decide whether they are unobjectionable and also whether objectionable portions should be excised?

The Honourable Sir Reginald Maxwell: The British Board of Film Censors, as I understand, is not an official body set up by the Government at all and therefore the Government cannot insist on their having any particular representation on it.

Mr. S. Satyamurti: I am asking about the India Office whose good offices are utilised by the British Board of Film Censors in deciding any question whether any part of a film is objectionable: I am asking whether the India Office has any machinery by which they can get Indians as such to take part in the decisions upon this very important question.

The Honourable Sir Reginald Maxwell: The Secretary of State, as the Honourable Member knows, has Indian Advisers in the India Office.

Mr. S. Satyamurti: Are their services required in this behalf? Will the Government of India impress on the Secretary of State the need for getting Indians conversant with Indian feelings and Indian sentiments to have a say in this matter?

The Honourable Sir Reginald Maxwell: It is difficult to press that on the Secretary of State for the simple reason that these consultations are not regular and automatic things but informal and the India Office gets all the advice that it requires.

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

**ALLEGATIONS AGAINST THE OFFICE SUPERINTENDENT OF MEERUT
CANTONMENT BOARD.**

†1498. *Haji Chaudhury Muhammad Ismail Khan: (a) Will the Defence Secretary please state whether last year the Cantonment Board, Meerut, suffered a loss of Rs. 676-12-9 owing to the negligence and connivance of the office superintendent [Cantonment Board Resolution No. 10(13) of June 1938 refers]?

(b) If so, what action was taken against the superintendent? If none, why not?

Mr. C. M. G. Ogilvie: (a) Yes, but not owing to the negligence and connivance of the present office superintendent. The matter was thoroughly investigated by the then President of the Meerut Cantonment Board, and according to his findings, which were accepted by the Board, the late office superintendent was guilty of dereliction of duty and the present superintendent was not to be blamed.

(b) No action was taken against the late superintendent, as he had already retired and was no longer in the Board's service. The question of any action against the present superintendent does not arise.

**ALLEGATIONS AGAINST THE OFFICE SUPERINTENDENT OF MEERUT
CANTONMENT BOARD.**

†1499. *Haji Chaudhury Muhammad Ismail Khan: (a) Will the Defence Secretary please state whether Government are aware that the public of Meerut Cantonment, who have dealings with the Cantonment Board, complained against the maltreatment by and the behaviour of the office superintendent?

(b) If the reply to part (a) be in the affirmative, what action has been or is proposed to be taken?

(c) If the reply to part (a) be in the negative, are Government prepared to make enquiries? If not, why not?

Mr. C. M. G. Ogilvie: (a) Government have made enquiries and are informed that no complaints against the office superintendent have been received.

(b) and (c). Do not arise.

**PUBLICATION OF NOTICE UNDER SECTION 22 OF THE INDIAN INCOME-TAX
ACT.**

1500. *Mr. Manu Subedar: Will the Honourable the Finance Member please state:

(a) whether a representation has been received by Government making a request with regard to the publication of notice under section 22 of the Indian Income-tax Act as follows:

“1. The publication of the notice in the press should also include publication in the principal vernacular papers of the various Provinces. This provision is necessary in order that the notice may attract the attention of a fairly large number of prospective assesseses.

†Answer to this question laid on the table, the questioner being absent.

2. The notice in question under the proposed draft rule 18 should also be published in all the offices or courts mentioned therein in the principal vernaculars of the respective places. The object of this suggestion is to ensure that the notice is read by as large a number of people as possible.”;

(b) whether Government have considered this matter; and

(c) whether Government have decided to accept this request, at all events in the first year, with a view to securing the largest publicity for the convenience of assesseees?

The Honourable Sir James Grigg: (a) Yes.

(b) Yes.

(c) Steps will be taken to secure effective publication of the Notice in the principal Indian languages.

RECOGNITION OF CERTAIN ACCOUNTANCY EXAMINATIONS FOR ACCEPTANCE AS INCOME-TAX PRACTITIONERS.

1501. *Mr. Manu Subedar: (a) Will the Honourable the Finance Member please state whether it is a fact that under sub-clause (b) of clause (iv) of section 61 of the Indian Income-tax Act, the draft amendments proposed in the notification No. 3 circulated by the Central Board of Revenue laying down the recognition of accountancy examination for the purpose of accepting individuals as income-tax practitioners, have recognized the examination conducted by the London Chamber of Commerce in advanced book-keeping or accountancy in the senior grade?

(b) Is it a fact that the Central Board of Revenue have not given equal recognition to the corresponding examination conducted by the Indian Merchants' Chamber?

(c) Have Government heard from the Government of Bombay on the subject?

(d) Did the Central Board of Revenue receive a letter from the Indian Merchants' Chamber, dated the 25th of June 1937 on this subject, recommending acceptance by them of the London and of the Bombay examinations in accountancy for this purpose?

(e) Have Government got any reason for this discriminating treatment?

(f) Have Government received a representation on this subject and have they replied to it?

(g) Have Government considered this matter, and if so, what is their decision?

The Honourable Sir James Grigg: (a) to (g). The draft amendments to Income-tax Rules proposed in the Notification referred to by the Honourable Member were published for eliciting public opinion and the comments and suggestions received thereon are under consideration.

Mr. Manu Subedar: With regard to the answer to part (c) of the question, may I know whether it is true that Government have heard on this subject and that the Board of Revenue have made a discrimination between the examination of the London Chamber of Commerce and the Indian Merchants' Chamber, Bombay?

The Honourable Sir James Grigg: I cannot regard it as discrimination because the rule is only a draft rule and they are engaged in considering the various observations made on it.

Mr. Manu Subedar: Do I take it that Government are further looking into it and will keep in their mind the complaint referred to in the representation?

The Honourable Sir James Grigg: Yes, that is the intention; my answer was intended to imply that.

Mr. K. Santhanam: May I know whether there was a distinction contemplated in the draft rules when they were published in the Gazette of India?

The Honourable Sir James Grigg: I have already said that the whole basis of the question is that the rules were published sometime ago for the purpose of eliciting opinion.

FIXATION OF NEW RATES OF DEPRECIATION.

1502. *Mr. Manu Subedar: (a) Will the Honourable the Finance Member please state whether any representation has been received with regard to the new rates of depreciation to be fixed from any commercial body in India?

(b) Have Government taken this matter in hand and addressed commercial and industrial associations on the subject?

(c) When do Government propose to declare the new rates of depreciation on the written down system?

(d) What is the form of opportunity to be given to commercial bodies for criticising the rates proposed by Government?

The Honourable Sir James Grigg: (a) Yes.

(b) Not yet.

(c) and (d). The matter will be taken up as soon as other more immediate work arising out of the provisions of the Amendment Act permits. The proposals of the Central Board of Revenue will be published as a draft amendment to Rule 8 of the Indian Income-tax Rules (1922) and reasonable time will be given to persons affected to make suggestions or objections.

Mr. Manu Subedar: Will the same be sent to the Chambers of Commerce for their opinion?

The Honourable Sir James Grigg: I cannot answer that off-hand. I imagine the Chambers of Commerce can read the Gazette.

PREPARATION OF THE INDIAN INCOME-TAX ACT IN A SIMPLIFIED FORM.

1503. *Mr. Manu Subedar: (a) Will the Honourable the Finance Member please state whether a simplified form of the Income-tax Act intelligible to laymen is being prepared in order to help the assesseees to know where they stand under the new law?

(b) Will the Honourable Member please state whether at each Income-tax Office Government propose to impose duties on some one who will enable *bona fide* assessees to fill up their forms properly?

(c) Has the new form to be filled up by assessees been prepared?

(d) Has it been sent round to commercial bodies and associations in India for comment and criticism?

(e) Has any comment or criticism been received?

(f) In connection with the return of income under section 22 (1) and (2) of the Income-tax Act, have Government insisted upon the balance sheet to be submitted by individuals or individual partners of a firm? If so, why?

The Honourable Sir James Grigg: (a) and (b). I would refer the Honourable Member to the reply given to starred question No. 623 on the 22nd February, 1939.

(c) Yes.

(d) Yes.

(e) Yes.

(f) The form of return requires a copy of the Balance Sheet to be attached in all cases in which the accounts are kept on the mercantile accountancy or book profit system. In the case of firms this copy has to be attached to the firm's return and not to the return of any individual partner. The Balance Sheet is required to assist in the determination of the correct income.

Mr. Lalchand Navalrai: May I know from the Honourable Member whether, in view of the fact that this is a new system which comes into force this year, he will see that besides the general notice the ordinary and specific notices are circulated at least this year?

The Honourable Sir James Grigg: I thought I succeeded in explaining during the prolonged discussions on the Income-tax Bill that the general notice is in no way intended to oust the specific notice and that in the case of known assessees, the specific notice will be sent.

Mr. Manu Subedar: With regard to the answer to part (f) of the question, may I know why Government have thought it fit to insist on a balance sheet now when it was not insisted upon before from individuals?

The Honourable Sir James Grigg: Because that is the best and the simplest way of getting at the proper facts. I should have thought that firms would much rather send in their balance sheets than send their books to be examined in detail and kept out of their possession for some little time.

Mr. Manu Subedar: I refer to individuals, not firms, I can see the necessity for this in the case of the firms, but when there is an individual who is a professional man doing some work on his own account, may I know why a balance sheet is insisted upon from him?

The Honourable Sir James Grigg: If the Honourable Member wants to know that, he can put down a question. I submit that in the normal case a balance sheet is much more informative and much more readily informative than the process of examining books.

Mr. Manu Subedar: With regard to the answer to part (a) of the question, may I know whether the Honourable Member is going to produce a precious miniature of the frankenstein which he has created in the form of the complicated income-tax law for the benefit of the layman?

The Honourable Sir James Grigg: I am glad I am reminded myself of my previous answer; it has never been read out because the Honourable Member was not in the House. I will now read it out:

"I am afraid that any attempt to re-write the Income-tax Act in a form to be accurate and complete and at the same time readily comprehended of the people is foredoomed to failure. The remarks of the Macmillan Committee on this subject will be familiar to the Honourable Member. Any taxpayer who wants information as to his own case *ought to be able to get* it from the Income-tax officer and it is the hope of the Government of India that relations between the taxpayer and the Income-tax administration will so develop that not only will the Income-tax officer be willing—as indeed is his duty—to give full and accurate information as to the law and practice governing the taxpayer's particular case but that the taxpayer will be willing to ask for it, being in the knowledge that if he has nothing to hide he has equally nothing to fear."

VACANCIES OF INSPECTORS FILLED UP IN THE CENTRAL EXCISES AND SALT DEPARTMENT.

1504. ***Mr. Abdul Qaiyum:** Will the Honourable the Finance Member please state:

- (a) whether fifteen vacancies of Inspectors were recently filled up in the Central Excises and Salt Department;
- (b) whether the above posts were advertised in advance in any paper;
- (c) the age limit fixed for candidates for such posts;
- (d) whether the applications of any candidates were withheld from the Commissioners;
- (e) whether the best qualified candidates were selected; and
- (f) if the posts were not advertised, the reason for this omission?

The Honourable Sir James Grigg: (a) Yes.

(b) No.

(c) 18 to 25 years.

(d) No.

(e) Yes.

(f) It is not the practice to advertise posts of Inspector in the Central Excises and Salt Department, Northern India.

Mr. Abdul Qaiyum: May I know how this information is conveyed to the intending applicants? If the vacancies are not advertised, how are the people to know?

The Honourable Sir James Grigg: The Commissioner keeps an approved list of candidates. There is a standing list without reference to the occurrence of particular vacancies.

Mr. Abdul Qaiyum: Would it not be better if posts are advertised so that the Commissioner can draw on the widest possible sphere?

The Honourable Sir James Grigg: There is no specific time at which the vacancies occur. They occur spasmodically over a period of time. There is no question of saving up the vacancies.

Mr. Abdul Qaiyum: Is the Honourable Member aware that some people in the Department keep a list of a very limited number of persons, the outsiders who are perhaps more efficient are shut off as a result of this non-publication, and the office people are taken on on the quiet?

The Honourable Sir James Grigg: It is a misrepresentation of the actual procedure.

Mr. Abdul Qaiyum: Will the Honourable Member make an inquiry in the matter? I am not making any allegation, but this is what I have heard and people have complained to me about this practice.

The Honourable Sir James Grigg: If I were called upon to investigate all the tales that disappointed applicants bring to Honourable Members, I should require an extension of my term of office.

Mr. S. Satyamurti: May I ask what steps do Government take to ensure the widest possible field of choice to see that better candidates than there are on the lists originally made are not denied chances of serving the Government? I want to know whether this list is brought up-to-date, and how it is brought up-to-date with reference to the claims of people whose existence the Department may not know at all.

The Honourable Sir James Grigg: I think the Honourable Member can take it that there is no backwardness in coming forward to be put on the list.

Mr. Lalchand Navalrai: May I know whether these appointments were filled from the outsiders or from the office?

The Honourable Sir James Grigg: I take it that we are talking about recruitment from outside.

Mr. Lalchand Navalrai: May I know whether these appointments were made by the Commissioner alone or they were made in consultation with any Committee, for instance, the Public Service Commission?

The Honourable Sir James Grigg: I can answer the first part of the question. The candidates are interviewed by the Commissioner before they are put on the list. That is the first process. Then, when there are vacancies, the candidates from the list who seem to be best qualified are called for a further interview by the Commissioner with the aid of the Deputy Commissioner and the Secretary. 35 candidates were called for interview.

Prof. N. G. Ranga: Is it ever published in the official Gazette that such lists are kept for this particular office and people are welcome to apply for their names to be put on the list?

The Honourable Sir James Grigg: The Honourable Member had better put that question down.

Mr. S. Satyamurti: What is the difficulty of Government in filling these posts also by the normal method of advertisement, so that they may widen the field of choice as much as possible?

The Honourable Sir James Grigg: I imagine that the field of choice, if that course were adopted, would become very wide and the number of candidates would run into thousands and so flood the office that they would have no time to do their proper work.

FINANCIAL POSITION OF CERTAIN CHIEF COMMISSIONERS' PROVINCES.

1505. *Mr. Brojendra Narayan Chaudhury: Will the Honourable the Finance Member please state:

- (a) the shortage or excess of revenue, below or over expenditure last year in the administration of (i) Delhi, (ii) Ajmer-Merwara, (iii) Panth Piploda, (iv) the Andamans and Nicobar Islands;
- (b) whether Government have under consideration the financial advantages of amalgamating with the neighbouring or nearest Governor's Province, those Chief Commissioners Provinces which show shortage of revenue over expenditure; and
- (c) whether any steps have been, or are being taken to reduce expenditure in any of the Chief Commissioners Provinces with a view to balancing expenditure with revenue therefrom?

The Honourable Sir Reginald Maxwell: (a) I will collect the information and lay a statement on the table of the House in due course.

(b) No such proposal is under consideration.

(c) Expenditure in all Chief Commissioners' Provinces is subject to the same scrutiny as other expenditure of the Central Government and the measures taken by Government to effect economy and the reduction of expenditure apply equally to them. But the general characteristics of these provinces are such that Delhi, Ajmer-Merwara and the Andaman and Nicobar Islands cannot be made self-supporting.

Mr. Brojendra Narayan Chaudhury: May I ask the Honourable Member to throw more light on the phrase general characteristics of these provinces?

The Honourable Sir Reginald Maxwell: The point is that these are small provinces and they have not got the same range of revenue field which the larger provinces possess. For instance, in the case of Delhi, practically the whole expenditure of the province is on urban areas and you have not got at the same time the rural areas from which you can hope to raise the revenue.

Mr. S. Satyamurti: May I know the reason why Government are not considering the question of amalgamating at least those provinces whose revenue falls short of expenditure?

The Honourable Sir Reginald Maxwell: Because the Government of India Act provides otherwise.

Mr. S. Satyamurti: I know. But apart from the Government of India Act, will Government examine this point from the point of view of the burden on the taxpayers outside these provinces who have got to foot the bill for any excess of expenditure over revenue in those provinces, and press for the amendment of the Government of India Act in order that these provinces may be absorbed by the neighbouring provinces who are financially solvent?

The Honourable Sir Reginald Maxwell: I do not think that is any solution. If a particular area is not self-supporting, someone outside it has got to pay anyhow.

RETENTION OF PANTH PIPLODA AS A SEPARATE UNIT OF ADMINISTRATION.

1506. *Mr. Brojendra Narayan Chaudhury: Will the Honourable the Home Member please state:

- (a) who is the Chief Commissioner of Panth Piploda, and what is his salary and status;
- (b) who is the highest judicial authority there, and what is his status and salary; and
- (c) the particular reason, if any, of retaining Panth Piploda as a separate unit of administration?

The Honourable Sir Reginald Maxwell: (a) The Resident for Central India is *ex-officio* Chief Commissioner of Panth Piploda, but receives no additional salary on this account.

(b) The highest judicial authority is the Court of the Chief Commissioner, which has the powers of a High Court. He receives no additional salary on account of his judicial duties.

(c) I would refer the Honourable Member to the reply which I gave to Mr. Sri Prakasa's starred question No. 1678 on the 1st December, 1938.

Mr. Brojendra Narayan Chaudhury: Is there any complaint about the Chief Commissioner being substituted by the High Court?

The Honourable Sir Reginald Maxwell: He is not substituted by the High Court, but he is himself the High Court.

Mr. Brojendra Narayan Chaudhury: Has there been any public complaint on that score?

The Honourable Sir Reginald Maxwell: No, Sir.

CONSTITUTION OF THE STANDING FINANCE COMMITTEE.

1507. *Dr. P. N. Banerjea: Will the Honourable the Finance Member please state:

- (a) whether a Standing Committee on Finance was constituted every year from 1921 to 1936;
- (b) whether the Standing Committee on Finance was not constituted in the years 1937 and 1938;
- (c) if the answer to part (a) be in the affirmative, what were the main functions of the Committee;
- (d) if the answer to part (b) be in the negative, the reasons for not taking steps to constitute the Committee during the last two years; and
- (e) whether Government are contemplating the constitution of the Standing Finance Committee this year?

The Honourable Sir James Grigg: (a) Yes.

(b) and (d). Motions to constitute the Committee were moved in these years but were withdrawn as not being acceptable to the House.

(c) I would invite a perusal of the memorandum describing the functions and procedure of this Committee contained in its proceedings dated the 21st January, 1937, (Vol. XVI, No. 3), a copy of which is available in the Library of the House.

(e) I would refer the Honourable Member to the reply given by me to Mr. T. S. Avinashilingam Chettiar's starred question No. 106 on the 6th of February, 1939, and its supplementaries.

Dr. P. N. Banerjea: Why does the Honourable the Finance Member say that these motions were not acceptable to the House?

The Honourable Sir James Grigg: Because it happens to be the truth.

Dr. P. N. Banerjea: A number of amendments was tabled; was that a reason why the motion was not accepted?

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member cannot have a discussion.

Mr. Lalchand Navalrai: Has the Honourable Member removed those objections on account of which the Committee was not going to be constituted?

The Honourable Sir James Grigg: The Honourable Member had better ask his Leader and other Leaders. As he knows, I circulated certain proposals for their consideration.

EXPENDITURE IN CONNECTION WITH BROKERAGE AND COMMISSION, ETC.,
IN RESPECT OF THE RUPEE LOAN FLOATED DURING 1938-39.

1508. *Mr. Manu Subedar: (a) Will the Honourable the Finance Member please state what are the details of the additional expenditure of Rs. 2,02,000 in connection with brokerage, commission, etc., in respect of the rupee loan floated during 1938-39?

(b) To which banks, firms or individuals, was this sum paid?

(c) Has there been any reduction in the rate of charges payable under this head during the last twenty years?

(d) Who decides on the rate—the Reserve Bank of India, or the Finance Department?

The Honourable Sir James Grigg: (a) A statement is laid on the table.

(b) To the Reserve Bank who made the payments due to scheduled banks, brokers and others.

(c) The rate of brokerage has been reduced from $\frac{1}{8}$ th per cent. to $\frac{1}{16}$ th per cent.

(d) Government.

<i>Statement.</i>	Rs. A. P.
Fees for renewal on conversion applications	9,418 8 0
Brokerage on accepted applications for the new loan	1,47,589 1 0
Commission to the Imperial Bank at 1/16 per cent. on the amount of the loan allotted through them, less the ordinary turn-over commission paid to them	10,035 1 1
Advertising, postage, telegram and telephone charges	8,059 0 0
Fee paid to the Reserve Bank for flotation of the loan	26,312 3 2
	2,01,413 13 3

or Rs. 2,02,000 approximately.

Mr. Manu Subedar: With reference to the answer to part (d) of the question, has the list of the parties who receive this sum from the Reserve Bank been also included in the statement?

The Honourable Sir James Grigg: If he means individuals, no; certainly not.

Mr. Manu Subedar: May I have the information with regard to banks, firms and individuals to whom this sum was paid? The Honourable Member said that the sum was paid to the Reserve Bank. That I understand. But I want to know to whom the Reserve Bank distributed this sum?

The Honourable Sir James Grigg: The statement does not disclose that and it would be impracticable to ask them for it.

OFFICERS AND MINISTERIAL STAFF IN THE DEFENCE DEPARTMENT.

1509. ***Mr. Muhammad Azhar Ali:** Will the Defence Secretary be pleased to lay on the table a list of officers (with designations) in his Department, stating how many of them are Hindus and Muslims and also the number of gazetted or non-gazetted superintendents, assistants and clerks working under them?

Mr. C. M. G. Ogilvie: I lay on the table a statement containing the information asked for by the Honourable Member.

Statement showing officers and staff employed in Defence Department.

Designation of officer.	Community.	Staff under each officer.	Remarks.
1. Secretary	European		One stenographer is attached.
2. Deputy Secretary	Do.		One stenographer and 3 clerks are attached.
3. Director, Military Lands and Cantonnments.	Do.	1 superintendent. 6 assistant, and 3 clerks.	
4. Under Secretary	Do.	{ 1 superintendent . 4 assistants 2 clerks. 1 draftsman, and 1 stenographer	Is also Secretary, Indian Soldiers Board which comprises 4 clerks. * Takes over the appointment of Under Secretary on 12th April, 1939.
5. Attache*	Muslim		
6. Under Secretary	European	1 superintendent. 7 assistants. 2 clerks, and 1 stenographer.	
7. Assistant Secretary	Do.	1 assistant-in-charge 2 assistants, and 28 clerks.	
8. Assistant Secretary	Anglo-Indian	1 superintendent. 4 assistants, and 3 clerk.	
9. Revision Officer	European	{ 1 superintendent. 1 assistant-in-charge 1 assistant. 2 clerks. 1 stenographer. 1 puncher. 1 compiler, and 1 assistant compiler, Indian Army List.	
10. Deputy Assistant Adjutant General (Revision).	Do.		

APPOINTMENT OF AN INDIAN CIVIL SERVICE OFFICER AS DEPUTY SECRETARY IN PLACE OF ASSISTANT SECRETARY IN THE DEFENCE DEPARTMENT.

1510. ***Mr. Muhammad Azhar Ali:** (a) With reference to the *Gazette of India* Notification No. 208, dated the 25th February, 1939, will the Defence Secretary be pleased to state whether or not, according to the present policy of Government, a junior Indian Civil Service officer will be appointed as Under Secretary to the Government in place of the Assistant Secretary on retirement of the present incumbent to the post?

(b) Have Government considered whether it is possible to abolish the post altogether?

Mr. C. M. G. Ogilvie: (a) and (b). No.

APPOINTMENTS ABOLISHED IN THE DEFENCE DEPARTMENT.

1511. *Mr. Muhammad Azhar Ali: Will the Defence Secretary kindly lay on the table a list of all the appointments (of officers, assistants and clerks) abolished in his Department since 1932 on account of retrenchments from time to time and state how the work is being managed at present?

Mr. C. M. G. Ogilvie: As regards the first part, a list showing the appointments abolished since 1932, and new appointments created since that year, is laid on the table. As regards the second, I refer the Honourable Member to the reply which I have just given to his starred question No. 1509.

List of Appointments abolished since 1932 in Defence Department Secretariat together with Appointments created since then.

Appointments abolished.		Appointments created.	
Designation.	Number.	Designation.	Number.
Officer-in-Charge Medal Distribution.	1	Assistant Secretary .	1
Assistant Secretary .	1	Superintendent .	1
Superintendents .	4	Stenographers .	2
Assistants .	8	3rd Division clerks .	9
2nd Division clerks . .	7		

ROUTINE OR THIRD DIVISION CLERKS IN THE GOVERNMENT OF INDIA OFFICES.

1512. *Mr. Muhammad Azhar Ali: (a) Will the Honourable the Home Member be pleased to state what are the duties of a routine or Third Division clerk?

(b) Are they, in any of the Departments of the Secretariat allowed to do any responsible work, which is usually done by assistants and Second Division clerks? If so, do they get any special remuneration for it?

(c) Is it a fact that the Second Division clerks' grade is going to be abolished, and a new clerks' grade introduced in its place? If so, what will be the position of the routine or Third Division clerks with regard to their promotion in the higher grades?

The Honourable Sir Reginald Maxwell: (a) Clerks of the existing third division are generally employed on duties of a routine or mechanical nature such as typing and examination of typing work, despatching, printing of papers and examination of printed matter and codifying and decodifying of telegrams. This list is not exhaustive and may be added to or curtailed at the discretion of the Department or office concerned.

(b) Clerks who have shown special merit and capacity may be employed on more responsible work such as noting and drafting and are given

higher remuneration if they are appointed to officiate in vacancies in a higher grade.

(c) Yes. The steps to be taken to implement the decision to abolish the second division are at present under consideration.

MENTAL HOSPITAL AT RANCHI.

1513. *Mr. Brojendra Narayan Chaudhury: Will the Honourable the Home Member please state :

- (a) whether the mental hospital at Ranchi is under the Central or Provincial Government;
- (b) the number of (i) Indian and (ii) European inmates there at present;
- (c) the total costs of this institution budgeted for the coming year;
- (d) whether his attention has been drawn to the annual report of the Superintendent for 1937-38 where it is suggested that the Government of India should make a census of mental defectives in all the Provinces with the view to segregating such children in a special institution for training them against anti-social propensities; and
- (e) whether Government have considered or intend to consider the suggestions of the Superintendent; if so, the conclusions arrived at?

The Honourable Sir Reginald Maxwell: (a) There are two mental Hospitals at Ranchi, one for Indian patients and the other for European patients. The Government of India have nothing to do with the administration of the Indian Hospital, but the ultimate control over the European Hospital rests with them.

(b) I cannot answer for the hospitals for Indian patients. The number of patients in the European Hospital on the 22nd March, 1939, was 253 of whom two were Indians.

(c) I have no information.

(d) and (e). I have seen some remarks of the Superintendent of the Indian Mental Hospital to this effect in his Annual Report for the year 1937, in which he has made a number of suggestions to the Provincial Governments for dealing with mental defectives. The Government of India is not concerned in this matter.

Mr. Brojendra Narayan Chaudhury: In allotting money to these institutions, how do Government regulate the Budget?

The Honourable Sir Reginald Maxwell: The Government of India do not make any contribution to the hospital.

Mr. Brojendra Narayan Chaudhury: Then, how is the hospital maintained?

The Honourable Sir Reginald Maxwell: By *per capita* fees recovered from Provincial Governments from which the patients come.

Mr. Lalchand Navalrai: I understood the Honourable Member to say that they have nothing to do with the Indian hospital. If so, why is this distinction?

The Honourable Sir Reginald Maxwell: Because the European hospital appears in the Legislative List No. 1, Seventh Schedule.

Babu Kailash Behari Lal: Who are these Europeans who are under treatment?

The Honourable Sir Reginald Maxwell: I have no complete list of their names.

UNSTARRED QUESTION AND ANSWER.

GRIEVANCES OF SUBORDINATE ACCOUNTS SERVICE PASSED CLERKS.

58. Pandit Sri Krishna Dutta Paliwal: (a) Will the Honourable the Finance Member be pleased to state whether Government are aware that there is much congestion and consequently dissatisfaction amongst the Subordinate Accounts Service passed clerks in the Accounts and Audit Offices and whether they have received a representation from the All-India Accounts and Audit Association to this effect? If so, what steps have been or are proposed to be taken to remove the congestion? If not, why not? Are Government prepared to consider the desirability of introducing some scheme like the War Block Scheme?

(b) Is it a fact that the probationers are appointed in the Subordinate Accounts Service? If so, are Government prepared to see the desirability of putting a stop to this practice and issue strict instructions to all concerned?

(c) Is it a fact that the Subordinate Accounts Service passed clerks in the Military Department are designated as Assistant Accountants, whereas on the civil side they are designated as clerks? If so, what is the reason for this difference in the designation? Do Government propose to see the desirability of introducing the same designation for both Military and Civil Departments?

The Honourable Sir James Grigg: (a) It has been brought to the notice of the Auditor-General by the All-India Audit and Accounts Offices Conference that in some offices there are a large number of clerks who have passed the Subordinate Accounts Service examination. The passing of this examination, however, does not in itself give any right to appointment to the Subordinate Accounts Service, and this is fully understood by all concerned as a condition of service. Government do not, therefore, consider it necessary to take any steps to reduce the number of such men or to introduce any scheme of the kind referred to by the Honourable Member.

(b) Yes, to a very limited extent. Government do not propose to stop this source of recruitment.

(c) Yes. The conditions of service in the Military Accounts Department are different and different designations have been adopted. Government do not propose to introduce the same designations in the Civil Accounts Department.

THE COAL MINES (STOWING) BILL—*concl'd.*

Mr. President (The Honourable Sir Abdur Rahim): The House will now resume consideration of the Bill to make further provision for safety in coal mines, as reported by the Select Committee. The following amendment moved by Prof. Ranga is under discussion:

“That in sub-clause (1) (c) of clause 11 of the Bill, for the words ‘one member’ the words ‘two members’ be substituted.”

Mr. N. M. Joshi (Nominated: Non-Official): Sir, I support the amendment moved by my Honourable friend, Prof. Ranga.

Yesterday the Honourable the Leader of the Opposition honoured me by taking special notice of my speech. I would like to attempt to give a brief reply to him. But, before I do so, I must admit that while dealing with him, I labour under great disadvantage. There are several Honourable Members in his Party who sympathise with the point of view which I hold and several of them and many times the whole Party have supported me in my amendments and my proposals. He holds those friends of mine in his Party, especially my Honourable friend, Prof. Ranga, as a hostage for my good behaviour in this Assembly. However, Sir, as the Honourable the Leader of the Opposition has done me the honour of taking special notice of my speech, it is necessary for me to explain my point of view. The House is accustomed to the hectoring, bullying and brow-beating speeches of the Honourable the Leader of the Opposition. He generally makes those speeches while dealing with the Government Benches.

The Honourable Sir Nripendra Sircar (Leader of the House): We do not mind them.

Mr. N. M. Joshi: I think he is right in doing so. It is quite natural that the Members of the Government Benches, who have on their shoulders the heavy responsibility of maintaining this Indian Empire, should be frightened by his attacks. We have seen Honourable Members on the Government side cowering before his slashing attacks, but, Sir, I am a comparatively free man and I am a poor man. I have not got the burden of the Empire on my shoulders. Moreover, I have nothing to safeguard as the Government Members have to think of safeguarding their Empire. The people whom I try to represent have nothing to lose in the words of Karl Marx, except their chains. Therefore, I would suggest to the Honourable Member very humbly that he should reserve all his powers of invective and attack for the Government Benches and leave poor people like myself alone.

Mr. Bhulabhai J. Desai (Bombay Northern Division: Non-Muhammadan Rural): I made an appeal to you.

Mr. N. M. Joshi: The Honourable the Leader of the Opposition said that I charged him and perhaps others, because he was defending not only himself, but the whole House, of dishonesty. Well, Sir, it is not my practice to say anything or do anything in this Legislature which is unparliamentary, although I do not wear on my shirt sleeves the motto of truthfulness and non-violence. What I intended to say yesterday was that there was a pact, and I called it unholy pact, between several sections

[Mr. N. M. Joshi.]

of this House on account of which the interests of capitalists were safeguarded, but in which the interests of labour were ignored. I called that an unholy pact and I call it even today. The Honourable Member said that I was fanatical, but I should like the Honourable the Leader of the Opposition to remember that those who stand by their principles, who stand by the cause which they espouse are considered fanatical at some time or another by some people or others. My politics are not a politics of convenience or fashion. Sir, the Honourable the Leader of the Opposition said that, in trying to protect the interest of the working classes, I sometimes forget the interest of the country as a whole and I try sometimes to sacrifice larger interests for smaller interests. In this case he considers that the case of the capitalists is larger and it is the interest of the country. I differ from him. If the interests of the capitalists were safeguarded by the reduction of rate of cess, the interests of the working classes were equally important. And, therefore, by insisting upon my amendment I am not forgetting the fact that the interests of the country are higher than the interests of one class of that country. Sir, I did not accuse the Honourable Member of dishonesty or even of being fanatical like myself; but the fact is that the Leader of the Opposition belongs to a Party which is not in the habit of being criticised. Even ordinary mild and parliamentary criticism hurts them.

Mr. S. Satyamurti (Madras City: Non-Muhammadan Urban): Do you know what is happening in the provinces? We are being criticised every day.

Mr. N. M. Joshi: Unfortunately my Honourable friends here have not gone yet to the provinces and they are not getting into the habit.....

Mr. S. Satyamurti: Our colleagues are there.

Mr. N. M. Joshi: If my Honourable friends go into the provinces, I am quite sure that, in six months' time, they will be a little more thick-skinned than they are in this House. Moreover, it is quite natural that when a man like me insists upon a division they are placed in a difficult position.

Mr. Bhulabhai J. Desai: Not at all; we have definite decisions.

Mr. N. M. Joshi: That is my opinion and I will express it. But I assure them that it is not my intention to place them in a difficult position. It is my duty to ask for a division when I feel that the amendment which I had moved is an important one. But, Sir, as I said, I am at a disadvantage in dealing with him because he holds many hostages in his Party.

Mr. S. Satyamurti: Talk for yourself; there are no hostages here. We are all Members of the Party.

Mr. N. M. Joshi: My Honourable friend, Mr. B. Das, told me that I do not understand the position and the dignity of experts. I have known my Honourable friend for many years since he started life as a budding electrical engineer in Bombay. I had not known that since coming

to the Legislative Assembly and attending meeting here he has now become a mining engineer also. I shall not say much about his criticism of myself but shall tell him what the Coal Committee thinks about these experts whom he now represents:

“For example, the Indian Mine Managers’ Association told us that managers do not at present have enough scope because they are controlled by people who have no sufficient knowledge of mining and are liable to be dismissed if they were to refuse to carry out the orders of an owner even though the carrying out of these orders would mean unsound and unsafe working.”

That, in the opinion of the Committee, is the value of these experts; and he insists that I should accept these experts being the members of the committee as being good members and as members who would safeguard the interests of the Indian miners.

Then, Sir, my Honourable friend, Sir Ziauddin, also, naturally, took notice of my speech. He said that I try to represent the working class interests in this House but at the same time I stay in Delhi and Simla for four or 4½ months and do not go out for week-ends as he sometimes does, and I go to Europe also sometimes and I am not in touch with the people whom I represent. But, Sir, nobody feels greater regret for my not being able to keep in touch with the people whom I try to represent than I do. I am generally a modest man, if you will believe me; but if the Honourable Member, Sir Ziauddin, feels that he represents, not the working classes generally, but the Muslim working classes better than I do, I am quite prepared to make him an offer. Let him and myself go to some big industrial centre, like Cawnpore, for instance, call a meeting of the Muslim workers there; and if the Muslim workers of Cawnpore are given an opportunity of judging between my attitude and the attitude of the learned Doctor in the matter of this amendment, I am quite sure I shall get the vote of the Muslim workers overwhelmingly in my favour.

Mr. President (The Honourable Sir Abdur Rahim): The Chair has allowed the Honourable Member to speak in this strain up to now, because he was taken to task by other speakers yesterday, but the Chair thinks he must come to the amendment now.

Mr. N. M. Joshi: I shall take no more time but I assure the learned Doctor that even the public opinion of the Muslim workers will be on my side in this matter, and if he is willing to go with me either to Calcutta or to Lahore, if he is not honoured in his own province, I am quite prepared to do so.

Now, Sir, as regards this amendment itself, it suggests that instead of one labour representative there should be two representatives on the committee. But even this representation is not adequate because I feel that on this committee the employers’ representative should not have a majority, and labour and the employers and the employees should be equally represented on this committee. This amendment does not secure that; it asks for much less. The reason why we ask for equal and greater representation of labour and why we insist that the employers shall not have a majority on this committee is, as I explained yesterday, that the Chief Inspector of Mines against whose decisions this committee will hear appeals will not feel confidence in doing his work honestly and squarely. If he feels that the appeals against his decisions are to be heard by one of the interested parties he will not be able to do his duty well. If Government had proposed a committee in which there were no representatives either of labour or of employers I would have preferred it. But Government have

[Mr. N. M. Joshi.]

chosen to make that committee a representative one. What worries me is not only that certain decisions of the Chief Inspector of Mines will be reversed by this committee; but what troubles me in this matter is that the Chief Inspector of Mines will not feel confidence in his own judgment and will not feel that he should put forward proposals which, in his opinion are fair and just, but he will have to consider what the committee will do. When the Chief Inspector of Mines is placed in such a difficult position he will not be in a position to do justice to the safety of the miners. When an officer feels that he will not have the fair support of an appellate tribunal he is bound to feel weak. Sir, it is not only the Chief Inspector of Mines who will feel weak but that sort of feeling of want of confidence will be felt by anybody. I do not know what the Indian Members of the Executive Council of the Governor General feel, but I imagine and I know that the Honourable the Commerce Member or the Labour Member must be feeling it more difficult in dealing with the European industrialists than the European Members of the Executive Council—not that the Honourable the Labour Member has no sympathy for labour or less sympathy for labour than the European Members, but I am quite sure the Indian Member of the Executive Council does not feel that assurance that his other colleagues will always support him in whatever he does with the European interests.

An Honourable Member: Question.

Mr. N. M. Joshi: You may question it, but it is a natural feeling; you cannot help it. Therefore, I would like the Honourable Member to consider this question from the point of view of the independence of the Inspector of Mines. We must put the Inspector of Mines in such a position that he will be able to do his duty honestly, and I feel that so long as the employers have a majority on the committee the Chief Inspector of Mines will not feel that confidence, he will not have that assurance. It is true that this amendment cannot rectify the mistake which the Government of India have made, but by increasing the labour representation on the Committee the mistake will be rectified to some extent. I, therefore, support the amendment.

The Honourable Sir Muhammad Zafrullah Khan (Member for Commerce and Labour): Sir, Mr. Joshi has made an appeal to me to consider this matter from the point of view of the independence of the Chief Inspector of Mines. I assure him that I have considered the matter from that point of view, and I am quite certain in my own mind that the composition of the Committee, as set out in clause 11, will not in any way interfere with the independence of the Chief Inspector of Mines. Sir, I oppose the amendment.

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

“That in sub-clause (1) (c) of clause 11 of the Bill, for the words ‘one member’ the words ‘two members’ be substituted.”

[On a division being challenged, Honourable Members for and against the amendment were asked to rise in their seats. Only a few Members having risen in support of the amendment and a large number being against, the President (The Honourable Sir Abdur Rahim) declared the amendment lost.]

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim): The question is: "That clause 11 stand part of the Bill."

The motion was adopted.

Clause 11 was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim): Honourable Members are really carrying on conversations very loudly and it is difficult for the Chair to put the question properly.

The question is:

"That clause 12 stand part of the Bill."

Mr. T. S. Avinashilingam Chettiar (Salem and Coimbatore *cum* North Arcot: Non-Muhammadan Rural): Sir, I move:

"That in sub-clause (2) of clause 12 of the Bill, for the word 'power', occurring in the second line, the word 'provisions' be substituted."

This is a mere verbal amendment to improve the wording of the Bill.

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

"That in sub-clause (2) of clause 12 of the Bill, for the word 'power', occurring in the second line, the word 'provisions' be substituted."

The motion was adopted.

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

"That clause 12, as amended, stand part of the Bill."

The motion was adopted.

Clause 12, as amended, was added to the Bill.

Clause 13 was added to the Bill.

Clause 1 was added to the Bill.

The Title and the Preamble were added to the Bill.

The Honourable Sir Muhammad Zafrullah Khan: Sir, I move:

"That the Bill, as amended, be passed."

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

"That the Bill, as amended, be passed."

The motion was adopted.

THE INDIAN TARIFF (SECOND AMENDMENT) BILL.

The Honourable Sir Muhammad Zafrullah Khan (Member for Commerce and Labour): Sir, I move:

"That the Bill further to amend the Indian Tariff Act, 1934 (Second Amendment) be taken into consideration."

This Bill seeks to continue for one year the duty on broken rice and also to continue for one year the duties on silk and silk goods. It also prescribes the duty on wood pulp and regulates for a period of three years the protective duty upon certain classes of paper. It also regulates the protective duty for a period of seven years on magnesium chloride.

[Sir Muhammad Zafrullah Khan.]

So far as silk and silk goods are concerned, the Report of the Tariff Board which has recently conducted an inquiry into the conditions of this industry was received so late that it has not been possible to complete its examination in time to come to a decision on the merits with regard to the further period and quantum of protection, and, therefore, for a period of one year the duties on these goods are being continued at the rate at which they stood at the end of the last financial year.

With regard to pulp, paper and magnesium chloride, Government's decision, as embodied in the provisions of this Bill, has been arrived at after an examination of the two Reports relating to these two industries. So far as pulp and paper are concerned, I shall give the House the reasons for the decision taken by the Government on the recommendations contained in this Report from a Note recording my own analysis of the Tariff Board's Report on such aspects of the industry as are sought to be regulated by this Bill. The Tariff Board reported with regard to the quantum of protection to be continued for pulp and the protected categories of paper. As regards pulp, Honourable Members are aware that pulp for the purpose of manufacturing paper therefrom is manufactured from bamboo as well as from *sebai* grass. The Tariff Boards of 1925 and 1931 had clearly laid down that no case had been made out for granting protection to pulp as such which was manufactured from *sebai* grass, and that for a long period of time it would not be possible for pulp manufactured from *sebai* grass to dispense with protection if granted, and, therefore, so far the protection granted to pulp has been in respect of pulp manufactured from bamboo. . .

Mr. S. Satyamurti (Madras City Non-Muhammudan Urban): No.

The Honourable Sir Muhammad Zafrullah Khan: Yes, that has been the case. No doubt, pulp manufactured from grass is entitled to the benefit of any protection or any protective scheme that may be in operation, and nobody is seeking to take away that benefit from it, but the protection itself has been justified and granted only on the basis of pulp manufactured from bamboo. The Board have worked out the works cost of bamboo pulp at Rs. 111 per ton, and the works cost of grass pulp at Rs. 140 per ton. They find the imported cost of bamboo pulp at mill to be Rs. 126 per ton. The revenue duty on such pulp is 25 per cent. *ad valorem*. At this price the revenue duty would work out roughly at Rs. 30 per ton, which would bring the imported cost at mill of bamboo pulp up to Rs. 156 per ton, that is to say, Rs. 126 *ex-duty* price plus Rs. 30 duty, Rs. 156 per ton. This is Rs. 45 per ton higher than the works cost of bamboo pulp as determined by the Board, and Rs. 16 higher than the works cost of grass pulp. Now, stopping here for a moment, if this calculation were correct,—and this is the calculation made by the Board themselves,—no protective duty beyond the revenue duty is called for either for bamboo pulp or for grass pulp. But the Board have not stopped there. They have gone further and have laid down that a certain proportion of the overhead charges incurred in the process of manufacturing pulp from raw material and then converting the pulp so manufactured into paper should at this stage be taken into account in order to determine the quantum of protection which should be granted to pulp. . . .

Mr. S. Satyamurti: Quite right.

The Honourable Sir Muhammad Zafrullah Khan: That is not quite right.

None of these mills manufacture pulp for the purpose of sale as pulp. It is manufactured by all these mills for the purpose of converting it into paper by the very mills which are both manufacturers of pulp as well as manufacturers of paper. It is part of one continuous process, and the previous Boards at any rate, and I venture to submit quite rightly, took the view that the entire overhead charges ought to be taken into account in determining the quantum of protection to be granted to paper manufactured from the pulp that these mills manufacture. Apart from pure theory as to whether a proportion of these overhead charges ought or ought not to be taken into account at the intermediate stage for the purpose of determining the quantum of protection to be granted to pulp, on which there may be some difference of opinion, it appears from the actual working of the scheme of protection that the view taken by the previous two Boards was the correct view, for this reason that, if they had taken into account the same proportion of overhead charges as the present Board have taken for the purpose of determining the protective duty to be levied upon pulp, the duty recommended by the last Board, which was Rs. 45 per ton, would have been higher by the amount of these overhead charges (Rs. 40 per ton) and if they had adopted the method which has been adopted by the present Board, the duty would have been Rs. 45 per ton as recommended *plus* Rs. 40 per ton, which was 60 per cent. of the overhead charges, thus, the duty would have been Rs. 85 per ton. As Honourable Members are aware, the duty has stood at Rs. 45 per ton, and that has proved to be quite adequate protection for pulp. Therefore, my submission is that the previous Boards were right and the present Board were not right in allowing this proportion of overhead charges to be calculated at this stage, which is an intermediate stage in one continuous process, for the purpose of determining the protective duty to pulp. Assuming, however, that there is something to be said for the method of calculation adopted by the Board, let us see what figures we obtain. Now, Rs. 33 per ton is the calculation of the Board in respect of that proportion of the overhead charges which ought to be allotted to the manufacture of pulp. That would bring the figures that I have just given to Honourable Members as the works cost of pulp to Rs. 144 in respect of pulp manufactured from bamboo and Rs. 173 in respect of pulp manufactured from grass, per ton. On this basis, again, the position is that the cost of manufacture of one ton of pulp from bamboo is Rs. 144. The cost of imported pulp, after it has paid the revenue duty, is Rs. 156, and, therefore, so far as bamboo pulp is concerned, there is no need for any protective duty beyond the revenue duty as the revenue duty more than amply protects pulp manufactured from bamboo. But in the case of grass pulp, as I have said, the total figure comes to Rs. 173, and the Board find that here the duty requisite to give adequate protection to pulp manufactured from grass would be Rs. 47 per ton, that is, Rs. 126 per ton, the cost of imported pulp *ex-duty plus* Rs. 47 duty per ton to bring it up to Rs. 173. The Board have not recommended a duty of Rs. 47 per ton. They have recommended a duty of Rs. 35 per ton which is slightly above the mean of the duty required to give adequate protection to bamboo pulp and the duty required to give adequate protection to grass pulp. Bamboo pulp, as Honourable Members saw, required only a duty of Rs. 18 per ton; grass pulp requires a duty of Rs. 47 per ton. The mean of the two would have come to Rs. 32-8-0 per ton, and the Board have recommended a duty of Rs. 35 per ton. As I have said, the 1925 and 1931

[Sir Muhammad Zafrullah Khan.]

Boards found it difficult to recommend protection for grass pulp and there is nothing in the report of the present Board which would justify the extension of protection to grass pulp. Apart from that, however, it is difficult to justify the level of duty recommended by the Board. If one proceeds on the assumption that protection has to be extended to grass pulp for some reason or other, then the duty recommended by them is not adequate in respect of grass pulp. It is extremely excessive in respect of bamboo pulp. There is another consideration to which I might draw attention. If the Board consider that the duty should be at the mean figure between Rs. 18 and Rs. 47 per ton, that is to say, Rs. 32-8-0 per ton, or even Rs. 35 per ton as specifically recommended by them, there is this further factor to be taken into consideration, that they have found that there is considerable room for improvement with regard to manufacture of bamboo pulp. If there is equal room for improvement with regard to the manufacture of grass pulp, the actual revenue duty now in operation—and it is sought to be continued by this Bill—should really not prove inadequate protection even for grass pulp. On Rs. 126 it works out at Rs. 31-8-0, which is very close to Rs. 32-8-0, the mean of the two figures, and near enough to Rs. 35 per ton. But that is not the Government's case. The Government's case is that no case has been made out for the extension of protection to grass pulp and levying a duty higher than the revenue duty which is not required for the protection of the bamboo pulp could only have one of two results. The grass pulp not having adequate protection even under the recommendation of the Board themselves, grass mills will either turn to the use of imported pulp, or to the use of bamboo pulp indigenously produced, almost certainly the latter; any higher duty would have no other effect.

Now, coming to paper, here again, if Honourable Members will for a moment or two follow the calculations of the Board, the Board have, as I shall demonstrate in a moment, fallen into a serious error. I have taken their figures throughout and I shall show where the error has crept in. Their calculations have been as follows:

	Rs. per ton.
Works cost of pulp.	111
Cost of conversion	140
Cost of bleaching	20
	<hr/>
Works cost of paper.	271
Interest on working capital	8
Managing agency and head office charges	11
	<hr/>
	290
Less savings on proposed reduction of duty on imported pulp.	4
	<hr/>
	286
Depreciation.	42·5
Profit	40·8
Selling expenses	7
Insurance	4
Rents, rates and taxes	1
	<hr/>
Fair selling price	381·3

Dr. Sir Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): What page is the Honourable Member reading from?

The Honourable Sir Muhammad Zafrullah Khan: I have collected these figures from different pages of the report, but the Honourable Member may take it that they are correct. As against this, they have determined the *ex-duty* price of imported paper to be Rs. 248 per ton. This they arrive at by the method of first determining the average price realised and deducting therefrom the amount of duty. The average price realised we find to be Rs. 423 per ton, and deducting duty at Rs. 175 we get Rs. 248 per ton. Rs. 248 per ton being the price of imported paper *ex-duty* and Rs. 381-3-0 per ton being the fair selling price for the Indian manufacture the duty naturally is the difference between the two, that is to say, Rs. 133 per ton, which works out at eleven pies per pound, and the Board's recommendation is that the protective duty for the categories of protected paper should be eleven pies per pound. In order to demonstrate the error into which the Board have fallen, I shall have to give the House the figures on which the 1931 Board based its recommendations. They work out the works cost of pulp at Rs. 186 per ton, which Honourable Members will observe is Rs. 75 per ton more than the works cost determined by the present Board. The figures are as follows:

	Rs. per ton.
Works cost of pulp	186
Cost of conversion	141
	<hr/>
Works cost of paper.	327
Interest on working capital	12
Managing agency and head office charges	11
	<hr/>
Depreciation	350
Profit	50
	<hr/>
	64
	<hr/>
Fair selling price	464

Well, now, for purposes of comparison let us see how the present Board have proceeded. As I have said, they have determined the works cost of pulp at Rs. 111 and then on page 32 of their report, in the first sentence of the first paragraph, they say that they accept Rs. 140 as a reasonable estimate of the cost of conversion which they say is lower than the figure of Rs. 141 taken by the 1931 Board. Having determined that, then they go on adding to it certain other figures but a comparison of their figures and the figures determined and accepted by the 1931 Board shows that they have taken the cost of conversion not at 141 as they set out at page 32 but they have added twice over to that cost of conversion certain items which the 1931 Board had included in their figure of Rs. 141. The 1931 figure includes the cost of bleaching and selling expenses, insurance and rents, rates and taxes. The present Board say they accept Rs. 140 as a reasonable estimate of the cost of conversion which they point out is one rupee per ton less than the cost of conversion accepted by the previous Board because there have been improvements in the meantime. Then they add to it Rs. 20 per ton as cost of bleaching, Rs. 7 selling expenses, Rs. 4 insurance and one rupee rents, rates and taxes, that is to say, altogether 32. The equivalent of this amount was already included in the Rs. 141 which the 1931 Board had determined as the proper cost of conversion. So,

[Sir Muhammad Zafrullah Khan.]

there is no escape from this position. There has been an improvement in manufacture. The Board are of the view that that has brought down the cost of conversion. Having brought down the cost of conversion they say the fair estimate of the cost of conversion is Rs. 140 per ton as against Rs. 141 per ton determined by the previous Board. It must be assumed that this Rs. 140 per ton includes all the items which the Rs. 141 per ton of the previous Board included. Otherwise, there is no reduction. But the cost has gone up according to the present Board by Rs. 32 per ton for those items amounting to Rs. 32 per ton were included by the 1931 Board in their Rs. 141 per ton. There is no escape from the conclusion, that the Board have accepted generally, without making any conclusion of their own, Rs. 140 and they have fallen into the error of counting all these items a second time over and adding them to Rs. 140. Therefore, if we take these figures as against the figures of the 1931 Board: works cost of pulp, Rs. 111 per ton: cost of conversion 140 as determined by the present Board as against 141 of the previous Board, the works cost of paper would come to 251, add interest on working capital Rs. 8 as determined by the Board, add managing agency and head office charges as determined by the Board Rs. 11, total cost 270. I deduct nothing for the reduction in the duty on imported pulp. Depreciation 42.5 as allowed by the Board, profit 40.80 allowed by the Board, the fair selling price thus comes to Rs. 353.3 and *c.i.f.* price of imported paper found by the Board being Rs. 248, deduct 248 from 353.3 and the rate of duty would work out at 105.3 per ton, which works out at nine pies per pound, which is the rate specified in the Bill.

Now, Sir, that is the position with regard to paper. With regard to magnesium chloride again, there is a slight difference between the rate of duty recommended by the Board and the rate of duty specified in the Bill before the House. There again the calculations of the Board have been accepted except with regard to two items but the eventual decision can be justified upon the difference with regard to one of these items alone. The Board have recommended a duty of 15 annas per cwt. and without going into details I shall only draw the attention of the House to the two items with regard to which there is a difference between the calculations of the Board and what Government consider is a fair calculation. The Board have allowed eight per cent. as profit. Government consider that slightly excessive. They consider that six per cent. would have been quite fair. That alone would make a difference of nine pies and a half roughly per cwt. But as I have said, I am able to justify Government's decision with reference to the next item without taking into account the difference between the rate of profits allowed by the Board and the rate which the Government consider fair. For the purposes of the duty, Honourable Members can overlook that, but I thought it was necessary to draw their attention to it. The Board have allowed $7\frac{1}{2}$ annas in respect of freight disadvantage and they have calculated it on the rates of freight leviable in respect of consignments to Bombay. So far as Bombay is concerned, that might be justifiable but they have entirely overlooked the fact that less than half the consumption of magnesium chloride (which is an article used in the cloth mills) is in Bombay and Ahmedabad and there is a good deal of consumption elsewhere. Bombay on the whole consumes less than one third of the total quantity. With regard to areas outside Bombay and Ahmedabad, there really is not much question of freight disadvantage because imported

magnesium chloride has to be taken by train to those mills and indigenous magnesium chloride has also be taken to the mills by train, so that there is very little in that. With regard to Bombay there is a freight disadvantage which operates to the prejudice of the product of the Indian industry. That has to be conveyed to Bombay and the foreign import is landed at Bombay. With regard to Ahmedabad, the previous Board found that there was a freight advantage for the indigenous article to the extent of ten annas a cwt. The previous Board made no allowance for the ten annas per cwt. for this reason. They said that in respect of colour and quality, the indigenous article was slightly inferior to the imported article and, therefore, this advantage of freight in respect of magnesium chloride consigned to Ahmedabad was practically set off against the difference in quality. The present Board have specifically found that all difference with regard to colour and quality has disappeared, that the indigenous article is now, in respect of colour as well as quality, on a par with the imported article. Therefore, the position comes to this that in respect of the consignments of indigenous magnesium chloride to Ahmedabad there is a freight advantage to the indigenous industry of say, at least, $7\frac{1}{2}$ annas per cwt. as there is a freight disadvantage in respect of Bombay.

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): Will the Honourable Member kindly read the bottom of page 13 of the report—which is quite contrary to what he says?

The Honourable Sir Muhammad Zafrullah Khan: Yes:

“As regards the Ahmedabad market, the Tariff Board of 1929 noted that the Indian product enjoyed a freight advantage which, however, it did not consider it necessary to take into account for the reasons given in paragraph 13 of its report. Since then the position has been altered owing to the facility of importing magnesium chloride through Kathiawar ports . . .”

At the moment, I was on this point,—that the present Board say that for reasons explained by the previous Board the freight advantage in respect of Ahmedabad was not taken into account; and I am trying to explain that those reasons have now disappeared, so that if there is a freight advantage in respect of Ahmedabad, that freight advantage has to be taken into account, and I was trying to develop the point that that freight advantage with regard to imports *via* Bombay would be at least $7\frac{1}{2}$ annas per cwt. With regard to imports *via* the Kathiawar ports the rates would be almost equal, and, therefore, with regard to the whole of the consumption of magnesium chloride there is no justification for allowing $7\frac{1}{2}$ annas per cwt. and, therefore, making a rough and ready calculation, a freight disadvantage allowance of say from $2\frac{1}{2}$ annas to $3\frac{1}{2}$ annas on the total would be quite ample to cover any disadvantage which the freight rates to Bombay might involve. That being so, there being this difference of nine pies in respect of profits and there being this difference of $3\frac{1}{2}$ annas or four annas with regard to the freight, there would have been full justification for reducing the rate of duty recommended by the Board by four annas. On a rough and ready calculation there might be a slight prejudice on one side or the other and the reduction made on account of those two items taken together is only three annas per cwt. and the duty proposed, therefore, in the Bill is twelve annas per cwt.

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

“That the Bill further to amend the Indian Tariff Act, 1934 (Second Amendment), be taken into consideration.”

Mr. S. Satyamurti: Sir, I desire to make one preliminary observation. Within less than a week, probably five days to be accurate.—three Tariff Board reports have been flung at us, and all those Tariff Board reports have previous Tariff Board reports—four or five—and we are expected, Sir, to read all these Tariff Board reports, to assess, according to our own judgment the value of the recommendations made by those Tariff Boards, to get into touch with the opinions of the relative interests affected—which, after all, must considerably influence the opinions and the views of Honourable Members of this House subject to their not being inconsistent with the general interests of India as a whole, and also to study the Resolutions of the Government on these Tariff Board reports and where they have chosen to differ from their most vital recommendations, the reasons given by them and acquaint ourselves and our friends and our Parties with the relative merits or demerits of the recommendations proposed by the Tariff Board themselves and the proposals of the Government, and then come to a conclusion as to how we shall speak and vote in this House! Sir, I have great faith in and great regard for the capacity for study, the capacity of quick judgment and the all-embracing intellect of my Honourable colleagues here, but I venture to ask in all humility, Mr. President, one question. Can any Honourable Member in this House—except the Honourable Member in charge, with his array of highly-paid and efficient assistants who have spent midnight electricity over them and who have—as my Honourable friends point out—the unfair advantage over us of having had these reports with them for months and years and studied them carefully and analysed all the recommendations—say that he has done justice to all these things? I want to know—excepting my Honourable friend—how many Honourable Members are there in this House who can really place their hands on their hearts and say, “I have studied these reports, I have studied all the implications of the recommendations, I know the history of the question, I know the needs of the industry, I can assess quite justly, impartially and efficiently, the relative merits of the recommendations of the Tariff Boards and of all the Government proposals”. It thus seems to me, Mr. President, that it is very much less than fair to the House and to the numerous taxpayers and consumers whom we represent in this House, that this hurried method, this almost indecent haste should characterize the actions of the Government of India, in dealing with these large, fundamental, and important questions. I do suggest, Mr. President, that these Tariff Board reports should be published as soon as they are received by the Government for public study and public criticism. I quite recognize that no Government in the world can publish their tariff proposals in advance because that would encourage speculators, but there is one anomaly with regard to this Government—because, if the Government were responsible and if they published their tariff proposals so as to bring them into force immediately and if public opinion is against those proposals, then the Government would go out of office; but this Government has the best of both the worlds. They claim the right which responsible Governments undoubtedly have, that their taxation proposals should not be divulged in advance but should be divulged only on the day on which they are brought into force, so that there may be no undue advantage taken of them by speculators. But, again, Sir, there is one curious feature with regard to these Tariff Bills this year. Government have chosen, for reasons which my Honourable friend has explained with regard to paper pulp and magnesium chloride, to differ from the recommendations of the Tariff Board. Now, on this matter, I want to remind the House, if I may, of the history of these Tariff Boards,

because that is the back ground from which we have got to consider these questions.

It was I believe as early as 1923—about sixteen years ago—that this House adopted a Resolution providing *inter alia* for the establishment of a Tariff Board. Sir, that Resolution reads:

“That this Assembly recommends to the Governor General in Council :

- (a) that he accepts in principle the proposition that the fiscal policy of the Government of India may legitimately be directed towards fostering the development of industries in India;”

(I do not read the next clause because it is not relevant.)

- “(c) that the principle should be applied with discrimination, with due regard to the well-being of the community and subject to the safeguards suggested in paragraph 97 of the Report of the Fiscal Commission;”

- “(d)—which is the most important recommendation for the purposes of this debate—that in order that effect may be given to these recommendations, a Tariff Board should be constituted for a period not exceeding one year in the first instance, that such Tariff Board should be purely an investigating and advising body and should consist of not more than three members, one of whom should be a Government official, but with power, subject to the approval of the Government of India, to co-opt other members for particular inquiries.”

Sir, the proposal to include a Government servant in this Tariff Board was strenuously opposed in the House at that time, but the Honourable Sir Charles Innes, who was then in charge of this portfolio, justified it by saying this:

“We have some difficulty as regards the exact relationship of the Board to Government. If the House agrees that we should adhere to a policy of protection, then I am sure they will also agree that we should take steps at once to make that policy effective and make it effective as rapidly as we can. That is to say, I should like to set up the Tariff Board at once and I should like to make such arrangements as will enable us to get quick decisions following upon the recommendations of the Board.”

That was the statement by my Honourable friend's predecessor who was in many ways the father of this Tariff Board arrangement in this country. They wanted quick decisions. What is happening today? Tariff Board's reports are not considered for months and years, and after a long time when conditions have got out of date, this Government say, adding insult to injury, that the report is now out of date and, therefore, we will constitute ourselves into a super Tariff Board and decide all these questions ourselves. Then, Sir, on the particular proposal with regard to the inclusion of a Government servant in this Tariff Board, Sir Charles Innes made the following statement:

“That is why we think it advisable to have one of the members an officer of Government. He will act as a Liaison Officer between the Board and the Government. He will assist not only in keeping in touch with the officers of Government but he will assist in formulating recommendations. If we have a Board which is entirely independent of Government, what will be the result? We shall get its recommendations. There will be three departments of the Government of India which will be concerned—the department of Commerce, the Department of Industries and the Department of Finance. The usual lengthy noting, which is a feature of the Government of India system, will go on. There may be disputes. The cases will then have to go to Council, and there will be inevitable delay. That is the reason for our proposal. We hope that in this way, by this device, we shall be able to get a quicker and an earlier decision upon the recommendations of the Board.”

What Sir Charles Innes feared and wanted to avoid by this procedure of having a Government servant on this Board has actually happened.

[Mr. S. Satyamurti.]

The recommendations come and then the three Departments of the Government of India—Commerce, Industries and Finance—deal with them. I will add in passing that, as a matter of fact, with regard to all these recommendations, the Finance Department seems to be the master. The Commerce Department plays a very distant second role, and very often they do not come into the picture at all. At best, they play a very subordinate part. It is the Finance Department ruled by the Roman hand of Sir James Grigg which practically decides that Indian industries shall have no more protection than the Government shall be compelled to give and for that purpose they will also reduce all protective duties in order to reduce the country to a nation of hewers of wood and drawers of water. Sir Charles Innes said:

“Then, there are disputes, matters go to the Council and there will be inevitable delay.”

I suggest that in all these matters there have been disputes and matters have gone to the Council and there has been inevitable delay. I suggest, therefore, that the whole idea of a Tariff Board and its recommendations commanding the weight which the recommendations of a properly constituted Tariff Board should command at the hands of the Government and of this House have been given the go-by. So far as the recommendations of the Fiscal Commission report are concerned, they wanted that we should have a proper Tariff Board in order that we may evolve a proper tariff policy in this country, but those recommendations have been buried. They recommended:

“We have made it clear throughout our report that the successful working of the scheme of protection which we have recommended depends on the existence of a thoroughly competent and impartial Tariff Board. The Board must be one which will command the confidence of the country and must be above suspicion of any subservience to particular interests.”

—I add, even the interests of the Government of India!—

“It is evident that the Board must be a permanent body. Consistent decisions and continuity of policy are of primary importance and these cannot be secured except from a permanent Board. We, therefore, rule out at once any idea of such an organisation as has been set up in the United Kingdom to deal with inquiries under the Safeguarding of Industries Act. No arrangement of this kind would give the continuity which is essential to the Tariff Board we contemplate.”

All that is gone now. For some years, they went on appointing these Tariff Boards from year to year. Then, they started appointing *ad hoc* Tariff Boards. Now, they have dissolved the Tariff Board for all practical purposes, and whenever they have an opportunity for a particular inquiry, they appoint an *ad hoc* Tariff Board. I have no desire to say anything disrespectful of Members who have been members of these Tariff Boards, especially as they are not here. But I venture to make one criticism that the relevant considerations in the appointments to these Tariff Boards have not been the acquaintance of those members with the problems connected with the industry which they are to investigate, rather the considerations were mostly of political dependence. The Government of India conferred political favour on those men who had not been returned to the Assembly and who had no political occupation and men

whom they wanted to oblige. The result has been that they often got the report which they wanted and these Tariff Boards send to them reports which are not based on relevant considerations and which ought to be the only considerations, namely, the interests of the industry and the interests of the country as a whole, to be reconciled in the best and the most intelligent manner possible. But, Sir, the Government today have gone one step further. They have said: Tariff Boards are no good. Therefore, we will constitute ourselves into a new Tariff Board and we will decide for the country what amount of protection should be given, and for what period. This Government has differed from these Tariff Boards on the period of protection, on the nature of the duty, and on the measure of protection. Now, I do not deny for a moment that every Government must have the right to differ from its own Tariff Boards. No Tariff Board can take the place of the Government of a country. After all, Tariff Boards are only advisory bodies. But, I suggest that the occasions of differences between the Government of the day and the Tariff Boards should be very few. They should not differ as a convention, but on the merits of the case. The only way to secure that these differences occur very rarely is to set up, as the Fiscal Commission recommended and as the Government of India contemplated in the past Griggian era, a permanent, independent, impartial Tariff Board consisting of members of the status of the Judges of the Federal Court—and I say this with great happiness this morning. Such a Tariff Board will look neither to the right nor to the left but to the merits of the case before them. I am sure that, just as we are paying for a Federal Court of three prominent Judges, although there is not much work before them, the consumers, the tax-payers and the industrialists of the country will be quite willing to pay for such a permanent Tariff Board, which will command the universal confidence and the respect of the country, irrespective of our differences of opinion in other matters. Therefore, having constituted this kind of Tariff Board, this Government come along and say: "I will differ from you." Now, Sir, I have conceded—and I repeat it—the right of the Government to differ from the Tariff Board. But, considering the nature of this Government—it is irremovable and it is irresponsible,—I suggest that wherever they choose to differ from the Tariff Board, they must leave the verdict in the hands of this Legislature. I quite agree that the Government may have reasons and arguments to plead before this House as to why a particular Tariff Board's recommendation or a series of recommendations ought not to be accepted. They must then argue and reason with us and try to appeal to our brains and get our vote on the merits of the proposals.

I want to ask the Honourable the Commerce Member a straight question and I expect a straight answer from him. Do the Government propose in respect of these Bills to accept the verdict of the House, or do the Government propose to resort to powers of recommendation and certification? I think this is a very relevant question. We must know what is the attitude of the Government of India towards these Bills, when they are being discussed and voted on by this House. I claim, Sir, and I think I can speak for every Honourable Member of this House when I say that if Government choose to differ from their own Tariff Boards they must then get the verdict of the House and abide by that. They cannot say, we have no use for the Tariff Board, we have no use for the Legislature, we know all about it, and what we do not know is not worth knowing, and, therefore, we propose by the exercise of autocratic powers vested in us to

[Mr. S. Satyamurti.]

enact such laws as we consider will give what we consider adequate protection for the industries affected. That is a position which I trust no Honourable Member of this House, which no Party will acquiesce in, and I think the Honourable the Commerce Member may make a statement on this matter as early as possible, in order that there may be some reality about this debate and about this vote.

I do not know why this Bill deals with protection for broken rice, magnesium chloride, wood pulp and paper and silk goods of a certain variety. What is the method behind this madness? Why should one Bill deal with all these subjects? What is the earthly or other connection between broken rice, magnesium chloride, wood pulp, paper and silk, that they should all be put together in one Bill? This is called the second Amendment Bill. We have all recognised for a long time that the tariff system of this country is chaotic. Indeed at one time Sir James Grigg began his period of office by telling all concerned that he has come to sweep the Augean stables of the tariff system of the country, that he will reduce the revenue tariff and re-examine the whole question. But he goes to his Home now, I hope a sadder and also, I hope, in spite of hope, a wiser man. During the last five years, undoubtedly nothing has been done to set this tariff system of ours on a scientific basis, when Bills come up before the House. Now we have three Tariff Bills, one this, one sugar and a third one which seeks to put into the tariff schedule the terms of the Indo-British Trade Agreement which we shall discuss later on. I will say nothing about that at this stage.

Turning to this Bill, I want to know what are the considerations on which the Government have come to the conclusion that the duty on broken rice should be extended only for one year, and should be at the present figure and not increased. My Honourable friend constantly says that he has no information with regard to increased imports of Burmese rice and paddy into Madras. Luckily we have a responsible Government in Madras, and in the Madras Assembly a question was asked and answered giving the figures for imports of rice and paddy to the province of Madras together with a comparison of the prices of Burmese rice to local rice at Madras for the last six months. In September, 1938, the import of Burmese rice was 18,102 tons, Burmese paddy 37 and on the whole 18,177 tons. In February, 1939, the import of Burmese rice was 39,422 tons and paddy 4,714 tons and on the whole 42,505 tons as against the previous total of 18,177 tons in September, 1938. The remarkable difference in the price of Burmese rice as compared with local rice was Rs. 3.22 per ton in September, 1938, whereas the local rice was 4.47 Rs. In February, 1939, the price was 3.37 as against 4.78. To an untutored mind, who is not familiar with the workings of the mind of the Government of India, this does clearly call for more protection, and for longer protection, in order that the interests of the growers of the primary product of rice in Madras may be protected. Morning after morning, we see 'pathetic' exhibitions of concern for the consumers, the producers of primary products in this country. Thanks to the vigorous personality of Sir Sikandar Hayat Khan, the Punjab Premier, the Honourable Sir Muhammad Zafrullah Khan is felt compelled to protect the wheat of the Punjab, but, unfortunately, we have no voice near the thrones of the Mighty and the Madras rice-grower must go without protection because we have no Sikandar Hayat Khans of whom the Government of India are afraid.

Sardar Sant Singh (West Punjab: Sikh): You will soon have Sir Ramaswami Mudaliar as the Commerce Member.

Mr. S. Satyamurti: It is an appeal from Philip drunk to Philip sober or *vice versa*.

An Honourable Member: Who is the sober and who is the drunk?

Mr. S. Satyamurti: I do not know the habits of Government Members, for I do not dine or lunch with them.

An Honourable Member in the Madras Assembly who asked this question asked the Parliamentary Secretary to the Madras Government whether any representations were made to stop the import of Burmese rice and paddy, to which the Parliamentary Secretary replied, "this Government had made the necessary representations and were awaiting orders". Then, when some details were asked about the representations made, the Parliamentary Secretary replied that they could not be disclosed. That is, of course, a governmental difficulty.

My point is: why should the Government go on merely continuing the duty and that only for a year. Then, Sir, we have been putting questions morning after morning to my Honourable friend as to what he proposed to do with regard to the continuance of the Indo-Burmese Trade Agreement. Luckily for him, he has found that 31st March is not the latest date this year for giving notice. God knows what will happen, whether they will give notice at all. But I do suggest that the provision in this Bill with regard to the protection for broken rice does not seem to realise the gravity of the situation of rice-growers in Madras.

Now, I come to magnesium chloride. I wish to draw the attention of the House to pages 13 and 14 of the Tariff Board Report, 1938, in which they have made nine recommendations, and I will just comment briefly on each one of them:

"There is a wide divergence between the price of magnesium chloride imported from Germany and the Japanese product. For the purpose of determining the measure of protection required we must take into account the lowest price-ex-duty at which imported magnesium chloride has been landed or is likely to be landed. The lowest *c.i.f.* price as given by the Collector of Customs, Bombay is Rs. 1-8-0 per cwt..... Adding duty at Rs. 1-5-0 per cwt. delivered at mill, Bombay may be estimated at Rs. 3-2-0 per cwt. We are informed that the Japanese magnesium chloride was at one time in 1933 quoted as low as Rs. 2-9-0. More recent selling prices have not been below Rs. 3-2-6 per cwt."

But the point which the Government make in their Resolution to which I shall presently refer and which the Honourable the Commerce Member elaborated in the course of his speech:

"The two main markets for Indian magnesium chloride are Bombay and Ahmedabad. The actual realised prices of magnesium chloride mill delivery in Bombay were Rs. 4-3-0 in 1934 and 1935 and Rs. 4-4-0 in 1936-37."

This is the most important matter which my Honourable friend has glossed over. The report further says:

"As regards the Ahmedabad market, the Tariff Board of 1929 noted that the Indian product enjoyed a freight advantage which, however, it did not consider it necessary to take into account for the reasons given in paragraph 13 of its report."

[Mr. S. Satyamurti.]

I will now go back for a minute to paragraph 13 of the Reprint of 1929 in which reasons are very clearly given. They say:

"We have found the fair selling price of Indian magnesium chloride delivered at mill Bombay to be Rs. 3-4-6 per cwt., and for our present purpose we take the import price at Rs. 2-14-0 delivered at mill. We have considered whether any alteration in these figures is required on account of the fact that about one-third of the Indian output may be sold at Ahmedabad and elsewhere up-country where competitive conditions are more favourable."

Then, they come to railway charges and say:

"The difference between these figures represents the amount by which our fair selling price might theoretically be reduced at Ahmedabad. It would then stand at Rs. 3-0-10. The price of imported magnesium chloride delivered at mill Ahmedabad is Rs. 3-11-0 per cwt. on the basis of a *c.i.f.* price at Okha of £3-19-0 per 1,000 kilos. The Indian product, therefore, enjoys an advantage of ten annas two pies per cwt. at Ahmedabad."

I wish to draw the attention of the House to what follows because it is important:

"This advantage, however, is somewhat illusory. Indian magnesium chloride is of a greyish colour while the imported article is white. Millowners of Ahmedabad take advantage of this to offer a lower price for the Indian product. Moreover, the importance of maintaining output and so reducing costs, places the Pioneer Magnesia Works in an unfavourable position in negotiating sales to the mills enabling the latter to bargain for Bombay prices. Actually the company has received on an average seven annas per cwt., less than the import price of foreign magnesium chloride at Ahmedabad would justify. The advantage of the Indian industry is thus reduced to three annas two pies per cwt., and on the assumption that one-third of the Company's output is sold elsewhere than in Bombay it would be possible to reduce our fair selling price by about 1 anna to Rs. 3-3-6. This will make little difference to our proposals and it is doubtful whether with the recent reduction in *c.i.f.* price Bombay from £4-19-0 to £3-19-0 even this advantage will remain. We prefer, therefore, in framing our proposals to leave it out of account."

And this Tariff Board report says:

"Since then the position has been altered owing to the facility of importing magnesium chloride through the Kathiawar ports."

Government have not denied this fact, and the Honourable Member did not deny it either:

"During 1936 and 1937 the price realised by the Company was the same as in Bombay, though in previous years it was generally one to two annas a cwt. higher. We think, therefore, that we may leave out of account any question of freight advantage or disadvantage and base our calculations of the amount of protection required on the prices of Indian and imported magnesium chloride delivered at mill Bombay."

Now, Sir, I suggest that that finding of theirs has not been successfully challenged either by the Government of India in their Resolution, or by my Honourable friend in his speech. I, therefore, ask the House to accept that recommendation of theirs.

Then, they refer to the selling price and they say:

"The measure of protection required for the industry is thus 15 annas per cwt., a reduction of six annas a cwt. below present rate of the protective duty."

Then, Sir, another matter which I know appeals to several Honourable Members of this House is the burden on the consumer. On this matter, we have to remember that the bulk of the consumers are the textile mills and the Tariff Board of 1929 held:

"The imposition of a protective duty sufficient to meet the needs of the industry imposes practically no burden on the consumer. . . . The Bombay Millowners' Association and other Textile Millowners' Associations have raised no objection to the

continuance of protection to the industry and have, in fact, supported the claims put forward by the Pioneer Magnesia Works Company. Nor has any objection been raised by companies using magnesium chloride as an admixture in cement used in flooring."

Then, Sir, they finally conclude this part of their report by saying:

"We agree with the Tariff Board of 1929 that a reasonable amount of protection to the industry is in the interest of the consumer. Were protection to be entirely withdrawn, the danger would arise of the dumping of magnesium chloride from Japan, or of a combination of continental producers to lower prices so as to kill the Indian industry. If the Indian industry were to succumb to foreign competition, foreign producers would be in a position to raise prices considerably above the level prevailing in recent years."

Whenever we ask Government to control shipping or to control other interests, we often hear that unrestricted competition must be allowed. But this consideration which the Tariff Board raised is a very important consideration. If the competition were confined to Indian producers alone these disastrous consequences may not ensue or at least ensue to the extent to which they will ensue in other cases. But where competition is between Indian and non-Indian, if an Indian industry were to go to the wall, then you give a practical monopoly to the foreigners who will exploit the market and exploit the interests of the consumers. Then, they say:

"We consider that there is a reasonable prospect that the industry may ultimately be able to stand without the aid of protection provided measures are taken to prevent unfair competition from foreign countries by the dumping of magnesium chloride at unremunerative prices.

We find that the magnesium chloride industry substantially satisfies the conditions laid down by the Fiscal Commission, and that it is as much in the interest of the consumer as of the manufacturer that the industry should be reasonably protected."

And, then, they recommend that protection to the industry should be extended by a further period of seven years. I believe I am right in saying that that is almost the only recommendation of these Tariff Boards which Government have accepted without any qualification whatever. I congratulate this Tariff Board on that small mercy. Then:

"The specific amount of duty shall however be reduced from Rs. 1-5-0 a cwt. to 15 annas per cwt."

Then, they make recommendations about possible further reductions. On this Government have issued a two-page note giving their reasons as to why they do not propose to accept their recommendation with regard to the rate of duty:

"In arriving at the fair selling price for magnesium chloride the Board has rightly taken into account the freight disadvantage which the Indian product has to face in Bombay city. It has, however, made the error of making an allowance on this account in respect of the whole production of the industry, a considerable proportion of which is consumed in upcountry markets where the Indian product either is at no freight disadvantage or even enjoys a certain advantage."

This is one of those *ex-cathedra* statements in these Resolutions for which no facts and figures are given. And I have read to the House the paragraph of the present Tariff Board report, referring to the paragraph of the earlier Tariff Board report, both of whom have come to the same conclusion, unanimously, that this freight advantage should be left out of account for determining the scale of protection to be given to the industry. What is the considerable portion consumed in up-country markets and what are these markets? Then, they say:

"The Government of India are of opinion that after rectifying this error the fair selling price can reasonably be fixed at Rs. 2-9-0 per cwt., and have accordingly decided to impose a protective import duty on magnesium chloride of annas 12 per cwt."

[Mr. S. Satyamurti.]

If the premise is correct, the conclusion follows. But I doubt the correctness of the premise. I have tried to show by reading to the House the paragraphs of the Tariff Board reports, both this report which we are considering of 1938, and of the earlier report of 1929, that this basis is wholly wrong. Apart from all this, I want to suggest to this House that, when a recommendation of that kind is made which involves no large question of policy at all, which involves a question of the calculation of the fair selling price and the extent of protection needed, I would commend to the House that we should rely on the experts who go into this matter, rather than on the amateurs of the Government of India, especially when we are aware that their policy is intended to kill all Indian industries wherever they can, and concede protection when they must, because they dare not become more unpopular than they are today.

We now come to the *magnum opus* of the Bill, namely, with regard to the protection to paper and wood pulp. Before I deal with the schedule recommended by the Tariff Board themselves and the schedule as prepared—that is section 10 of the Tariff Act of 1934—I want to draw the attention of the House very rapidly to the history of this question, and to the recommendations of the Tariff Board of 1938 and the reasons on which they have based these recommendations. My Honourable friend, the Commerce Member, was at great pains to show that what they have decided is right and that the reduced protection they are giving, namely, 25 per cent *ad valorem* as against 25 per cent *ad valorem* or 35 rupees per ton, whichever is higher in respect of wood, pulp and the different classes of paper in respect of which the Board has recommended eleven pies per pound instead of which they give nine pies per pound are based on facts and figures. I have the same comment to make on this. After all—I am not talking of this Government particularly—all governments have various considerations to bear in mind; and it does seem to me that we shall be setting a very bad precedent if—not on questions of policy—I recognise that a government may say that either because of revenue considerations or because of other public considerations they do not propose to accept a particular tariff board report—but if it is a question of challenging their figures, of going into the evidence before them and then saying they come to a different conclusion, it is wholly different. I want to point out that the Government of India work in mysterious ways. We do not know what the Government of India think, what evidence they have before them; whereas the Tariff Board works publicly: all relevant interests lead evidence before it; that evidence is before the public and, therefore, the public are able to judge of the merits of the conclusions of the tariff boards not only on what they write in their own reports, but also on the evidence available and placed before them. In respect of the Government of India, we get no such help, and I, therefore, want to make a preliminary observation that we cannot really accept this conclusion of the Government of India without far more justifying reasons than they have given.

Sir, I will begin with a reference to the Tariff Board Report of 1925, which really started.....

Mr. M. S. Aney (Berar: Non-Muhammadian): Do it after the lunch hour if you want to make a new point.

Mr. S. Satyamurti: I am in the hands of the Chair.

Mr. President (The Honourable Sir Abdur Rahim): If the Honourable Member wishes to stop now, he can resume after lunch.

Mr. S. Satyamurti: Yes, Sir.

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

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

Mr. S. Satyamurti: Mr. Deputy President, when we adjourned for lunch, I was just getting on to the question of protection on paper. Before I continue that, I would sum up my case for the protection of magnesium chloride. The industry wants the protection which the Tariff Board has recommended; the Tariff Board has recommended it. The consumers do not complain, the industry complies with all the conditions laid down by the Fiscal Commission's Report, and if it is protected, it can easily displace the foreign goods, and soon we may be able to dispense with protection altogether. On a wholly irrelevant consideration, unsupported by evidence, the Government have chosen to accept merely the period of protection for seven years but reduced the extent of protection. I do not think this House ought to accept that recommendation.

Now, Sir, starting on paper, I desire to invite the attention of the House, as part of the history of this case for protection of paper and paper pulp industries, to the Report of the Tariff Board of 1925, which, Sir, at page 104 recommended the following:

"In effect, what we are proposing is that the consumers of the commoner kinds of printing and writing paper should forego for the next five years the advantage they derive from the rise in the rupee sterling exchange from 1s. 4d. to 1s. 6d."

Therefore, it is not so much protection as protecting the industry as against the manipulations of exchange:

"In addition we have recommended that Government should assist the industry by taking upon its own shoulders the liability for the additional capital which must be found if the possibilities of the two alternative processes for making bamboo pulp are to be fully explored. When account is taken of the increased revenue likely to be drawn from the Customs duties on paper, and the value of the fixed assets which would be pledged as security for the Government loan or guarantee, it seems probable that at the end of five years, even if the manufacture of bamboo pulp and paper were finally abandoned, there would be no actual loss to the tax payer."

As the sequel has shown, this contingency has not arisen; on the other hand, the industry has expanded to the satisfaction of everybody concerned:

"We believe that the advantages likely to accrue from the eventual establishment of the manufacture of bamboo paper and pulp as a considerable industry are sufficient compensation for the temporary sacrifice which the country is asked to make, and we are satisfied that nothing less will suffice to secure the objects in view. The issue which the Government of India and the Legislature will have to decide is clear and well defined. If no assistance is given, it is probable that the manufacture of paper in India will cease, with a somewhat remote prospect of revival when wood pulp has grown very dear. The question for decision, therefore, is whether it is worth while to keep the industry going at what in all the circumstances is a moderate cost, or whether it must be left to its fate. For our own part we feel strongly that the disappearance of the industry at the moment when the use of bamboo opens up fresh avenues of development in the future would be very regrettable, and we believe that the proposals we have made are in accordance with the national interest."

[Mr. S. Satyamurti.]

Then, Sir, they made a specific recommendation to the Government, and that is to be found at page 106. This is what they say:

"In order that the possibilities of the manufacture of paper in India from bamboo may be fully explored, the Government of India should provide the capital required—about Rs. 10 lakhs—in order to enable the India Paper Pulp Company to increase the output of its mill at Naihati from 2,500 to 5,000 tons a year. This might be done either by an advance of capital secured by mortgage on the fixed assets of the Company, or by the guarantee, in respect both of principal and interest, of a public issue of debentures."

This recommendation, Sir, was not at all given effect to by the Government, and today, Sir, it does not lie in the mouth of the Government to say that those who have to use the sebai grass as raw material for making paper do not deserve protection, because they have not done their duty as recommended by the Tariff Board, in order to explore the possibilities of the sole use of bamboo pulp as raw material for paper.

Then, Sir, they further recommended the following:

"We recommend that in place of the existing 15 per cent. *ad valorem* duties on printing paper and writing paper a specific duty of one anna a pound should be imposed on all writing paper, and on all printing paper other than 'newsprint' containing 65 per cent. or more of mechanical pulp."

This recommendation, Mr. Deputy President, was accepted by the Government and the industry went on making progress.

Then, Sir, we come to the Tariff Board's Report of 1938, where we have all the recommendations set out, but before I deal with these recommendations, I want to mention another stage in the history of protection to this industry. In 1927 the question whether the percentage of mechanical pulp should be calculated on the net fibre content of the paper or on the total weight was referred to the Tariff Board, and as a result of its recommendations an Amending Act was passed, (Act XX of 1927) which provided that the percentage of mechanical pulp should be calculated on the fibre content.

Then, Sir, in November, 1931, the Indian Finance Act imposed a surcharge of 25 per cent. on the existing revenue and protective duties thus raising the specific protective duties to Rs. 0-1-3 per lb. and the *ad valorem* duty to 18½ per cent.

That brings us to the period of the Tariff Board Report of 1931, which is the Report previous to this Report, and as my friend, the Honourable the Commerce Member, made a very strong case for no protection being given to pulp made from grass and the protection being confined only to bamboo pulp, I want to invite the attention of the House to the relevant paragraphs both in the earlier and the later Reports. I am convinced that my friend, —I won't say that—he has not read the relevant paragraphs—has not given sufficient respect to the recommendations of those competent to advise the Government and the House on this matter. Now, Sir, taking the Report of the Tariff Board of 1931, I invite the attention of Honourable Members to pages 84 and 85 of that Report. The marginal note of paragraph 87 says "Bamboo and grass mills to be treated alike", and they give very good reasons, good, in my judgment, and, I trust, in the judgment of the House, as to why they should be treated alike:

"In applying the proposals for assistance which we have recommended it is our intention that no distinction should be made between what are called grass mills and bamboo mills. Our findings regarding the prospects of grass and bamboo as raw

materials for the paper industry are substantially identical with those arrived at by the Tariff Board of 1925."

Therefore, three Tariff Boards, of 1925, 1931 and 1938 all come unanimously to the same conclusion which now the Government want to challenge, and I say that they must produce far more conclusive evidence than they have done, before they can hope to persuade this House or any section thereof to accept their contention:

"But the conclusion to which we are led as the result of these findings is somewhat different from that expressed in the Board's previous report. It was stated by the Board in paragraph 156 of their Report of 1925 that it was no part of its object to adjust the scheme of protection so as to permit the grass mills to survive and that their disappearance would not ultimately endanger any important national interest. In our opinion this statement implies the existence of a clear cut distinction between grass mills and bamboo mills which is not supported by the evidence. (*That state of affairs exists even today*). The principal Indian mills to which the term 'grass mills' was applied have since undertaken important developments in connection with bamboo and an increasing proportion of their output of paper will hereafter be manufactured from bamboo. As regards the mills in Upper India and Bombay, although no steps have been taken till now for the utilisation of bamboo, it would be rash to conclude considering the widespread occurrence of bamboo in India, that these mills would be debarred permanently from using bamboo. We consider that a more correct view of the situation is that which regards the whole of the Indian Paper Industry as one and bamboo as a raw material which supplements rather than competes with grass. (*That is the position which I want the House and the Government to accept*). We accept the view that the future development of the Paper industry in India depends on bamboo and that unless the development of bamboo makes progress the Indian industry will be seriously hampered. (*I agree and I am sure the House will agree.*) But we do not think, on the findings we have arrived at, that the development of bamboo will displace grass from its present position or that such displacement, if it comes about, will not endanger the national interest. Grass as a constituent of paper has a recognised value in the market and will continue to be used in conjunction with other materials as a necessary and valuable ingredient. Moreover the existing mills which use grass or other indigenous materials provide a potential market for bamboo and their disappearance will retard its development. And as the Tariff Board recognised in its previous report the immediate shutting down of the mills would mean the dispersal of the workmen who have been trained during the last forty years, and the bamboo mills would have to train their workmen from the start."

Then, at page 86 they discuss the question of granting bounties and reject it and say:

"Further, there are strong administrative objections to the grant of bounties based on the use of specific kinds of materials."

On the other hand, the speech of my Honourable friend suggests that the revenue duty will protect mills which use bamboo pulp and, therefore, there is no need for a protective duty or for Rs. 35 per ton which is required to protect the grass mills.

Coming now to the report under discussion, that is, of 1938, I invite the attention of the House to the statement at page 3, paragraph 7, in which the Tariff Board says:

"The Bamboo Paper Industry (Protection) Act of 1932 continued protection for the classes of paper already protected at the existing rate, but raised the percentage of mechanical wood pulp qualifying paper for exemption from the protective duty from 65 to 70 per cent. and imposed a protective duty of Rs. 45 per ton on imported pulp, all duties being subject to the revenue surcharge imposed in November, 1931, (*that is, Rs. 56-4-0 per ton which is the prevailing duty*)".

Then, certain changes were made as a result of the Ottawa Trade Agreement and the results of those changes are summarised in paragraph 9 at page 36 of this report:

"The effect of these changes was to raise the standard rate of duty on some classes of paper subject to revenue duty to 30 per cent. with a preferential rate of duty of 20 per cent. for articles which were the manufacture of the United Kingdom."

[Mr. S. Satyamurti.]

I want Honourable Members to look at a paper called the Indian Customs Tariff issued by the Department of Commercial Intelligence and Statistics, India. I do not know if copies of this are supplied to Honourable Members; I suggest that they ought to be because changes in our tariff schedules are so very frequent and so numerous that no Act of this House can really keep pace with it. For their own use and for the use of such of them as get copies of this, Government have published and I hope will continue to publish this publication, and it ought to be available I submit to Honourable Members of this House. It is a publication by the Department of Commercial Intelligence and Statistics and also supplement to *Indian Trade Journal* of 22nd December, 1938.

Mr. Lalchand Navalrai (Sind: Non-Muhammadan Rural): How did you get a copy of it?

Mr. S. Satyamurti: I go to a place called the Library which contains a number of publications. I consult the catalogues and get such books as I want.

Section 10 printed at pages 24 and 25 of this publication gives the various items of protection with which I shall compare the proposals in the Bill and of the Board very soon, but in the meantime let me take up the history of this industry as summarised in this Tariff Board's report. The next point I want to invite the attention of the House to is at page 9 of this report, paragraph 13. I think the House will be gratified to know the facts stated in that paragraph:

"The most important change that has occurred since 1930-31 is the increase in the production of indigenous pulp as compared with the quantity of foreign pulp imported."

I think the protective duty for wood pulp has really justified itself by this phenomenon:

"The quantity of bamboo pulp used has increased in six years from 5,228 tons to 19,281 tons; of grass pulp, from 9,049 to 11,510 and of pulp made from other indigenous materials from 5,992 to 7,919. On the other hand the quantity of imported pulp used has decreased from 20,061 to 10,976 tons in the same period."

Then, in view of the fact that a good deal was made by my Honourable friend about the distinction between grass and bamboo pulp, I particularly desire to draw the attention of the House to pages 15 and 16 of this report. Paragraph 19 at the bottom of page 15 says:

"In considering the availability of sufficient qualities of raw material for the manufacture of pulp we are in agreement with the view of the Tariff Board of 1931 that no distinction need be drawn between bamboo and grass, bamboo being itself a species of grass. Bamboo is the principal material on which the future of the Paper industry mainly depends, but grass as a constituent of paper has a recognised value and will continue to be used in conjunction with other materials as a necessary ingredient in the manufacture of certain classes of paper for which special bulk or tensile strength is required, just as Esparto grass is used by a particular class of mills in the United Kingdom. It is probable that, with improvement in the quality of bamboo pulp, mills which can obtain supplies of both bamboo and grass will to some extent substitute bamboo pulp for grass pulp on account of its relative cheapness. But in the United Provinces and the Punjab, where adequate supplies of bamboo are not available, grass will continue to be chief raw material."

I want to draw attention to the Punjab here, because sometimes Punjab is thought of first and India next or not at all. Those who think in that

way will be impressed by this statement of the Tariff Board. Then they go on to say:

"In our opinion there is a definite place for both bamboo and grass mills and we see no reason why grass mills should be unable to operate economically allowing for the fact that there is a demand for paper manufactured mainly from grass."

These are important facts which the Government and certainly the House should not ignore. As regards the effects of this protection for wood pulp, the Tariff Board say on page 20:

"The imposition of the protective duty of Rs. 45 per ton recommended by the Tariff Board of 1931, increased by the revenue surcharge to Rs. 56-4-0 per ton, has proved effective in attaining the object in view, which was to force mills to increase the production of pulp from indigenous materials and gradually restrict the use of imported pulp. Raw material in the form of bamboo, grass and subsidiary materials is available in sufficient quantities for the requirements of mills in existence or projected and there are possibilities of bringing into use chemical or mechanical pulp made from wood."

The industry has done well, and, therefore, it deserves fair treatment at the hands of the House. In paragraph 26 they come to this general conclusion:

"Our general conclusion as to the availability of sufficient quantities of raw material for the industry is in agreement with the conclusions of the Tariff Board of 1925 and 1931 that the supply of bamboo is adequate for both present and future requirements. The supply of 'sabai' grass for mills operating in North India is at present limited but is capable of improvement and the possibilities of utilizing other kinds of grass have not as yet been adequately explored. In any case, though grass is a useful material in the production of some classes of paper where bulk and tensile strength are desirable, it cannot be considered a raw material indispensable to the development of the industry."

Then they say:

"The first condition laid down by the Fiscal Commission for the grant of protection to the Industry may therefore be considered to have been fulfilled, an abundant supply of raw material sufficient to meet the requirements of internal consumption for all classes of paper except those made from mechanical pulp."

I claim that in coming to this conclusion the Tariff Board took into consideration, as they have every right to do, not only bamboo but also grass. And they conclude:

"But even if the Indian industry is unable to meet the demand for cheap classes of paper made from mechanical pulp, the remaining classes of paper, the total demand for which may be estimated at 90,000 tons, constitutes a wide enough field for the development of an industry sufficiently large to be considered of national importance."

Then, they return in Chapter III of their Report to this contrast between bamboo and grass pulp which my friend the Commerce Member stressed. They say:

"Bamboo may now be considered the staple material out of which Indian paper is made. Grass pulp is made in two mills in addition to bamboo pulp and is the principal material used by two other mills."

Therefore, four out of the comparatively small number of mills use wholly or partially the pulp made from grass. In short, the bulk of the pulp required by mills is made from bamboo or grass pulp supplemented by other indigenous materials and imported pulp is no longer essential in the sense that ordinary printing and writing paper cannot be made without its admixture.

The next point which I want to bring to the notice of the House is that contained in para. 38, on pages 29 and 30 of the Report. They say:

"The estimated cost of grass is high and should be capable of reduction. We do not think that its total cost should exceed that of the other two mills. The second

[Mr. S. Satyamurti.]

mill has given the total cost of bleached pulp, as Rs. 251-13-0, but failed to supply us with details in time for our consideration. The estimate is so high in comparison with the estimates supplied by other mills that we are unable to accept the figures. Assuming that Rs. 35 per ton is the cost of grass and that 2.21 tons of grass are required to make a ton of pulp, the works cost per ton of unbleached grass pulp may be estimated at Rs. 140. Allowing Rs. 33 for overhead charges, the total cost of air dry unbleached grass pulp may be estimated at Rs. 173 per ton."

That is the basis on which they have recommended to the Government and I submit to the House also the protection which they have actually recommended. On page 32 they say:

"Our estimate of the average cost of unbleached pulp is Rs. 111 per ton. Adding Rs. 20 as the cost of bleaching, the works cost of bleached pulp will be Rs. 131. We accept Rs. 140 as a reasonable estimate of the cost of conversion which is lower than the figure taken by the Tariff Board of 1931. The 'spread' between the cost of pulp including overheads and the final cost of paper does not seem to us excessive in comparison with the 'spread' in British or continental mills, taking into consideration the fact that Indian mills manufacture a wider range of papers and losses are incurred in changing from the manufacture of one class of paper to another."

I should like to know whether the Government have paid due attention to this point mentioned by the Tariff Board in their report. According to this calculation, Rs. 271 may be taken as the total works cost of finished paper in an average mill of 6,000 ton capacity. On page 34, paragraph 43 they deal with this matter with the help of figures and they say:

"For the purpose of determining the protective duty on imported pulp the Tariff Board of 1931 took into consideration the cost of manufacture of bamboo pulp by the Indian Paper Pulp Company which was at the time Rs. 196 per ton. As the cost of manufacture was considered high, a deduction of Rs. 10 per ton was made and Rs. 186 taken as a fair estimate of the works cost of manufacture. The cost of imported easy bleaching sulphite pulp was taken at £10 per ton *c.i.f.* Calcutta."

I want the House to remember this, because the Honourable the Commerce Member laid some stress on this point. This is what the Tariff Board say:

"The cost of production of grass pulp was not taken into account, presumably because the cost of production of bamboo pulp was higher and, therefore, the protective duty proposed for bamboo pulp covered grass pulp as well."

I say that this Tariff Board report furnishes a conclusive answer to the arguments of my Honourable friend, the Commerce Member.

3 P.M.

Then, they add:

"The position is now changed. The cost of production of grass pulp is higher than the cost of bamboo pulp and consequently a protective duty based on the cost of production of bamboo pulp will not be sufficient to protect grass pulp.

—My Honourable friend says, "yes, why protect grass pulp?" I say, "why not?"—because, after all, as I have said, two mills completely and two mills partially take all grass pulp and these mills will have to go into liquidation if this protection is not granted to it.

Assuming that some proportion of pulp other than bamboo pulp is necessary for the manufacture of paper, it is *prima facie* desirable that pulp made from indigenous raw materials, which cannot be utilised for any other purpose, should be used in preference to imported pulp—

—Does any section of the House differ from this?—

We therefore consider that we are justified in taking into consideration the cost of manufacture of grass pulp as well as bamboo pulp in determining the amount of protective duty required."

Then, Sir, having stated this, they say at the end of page 36 and the beginning of page 36:

"We have found that the average cost of production of bamboo pulp is Rs. 144 per ton. The measure of protection required for bamboo pulp would be Rs. 18 per ton as against Rs. 47, the measure of protection required for grass pulp. Grass pulp is an important ingredient in the manufacture of paper, whether mixed with bamboo pulp, as in two mills in Bengal, or used by itself as in two mills in Northern India. If the protective duty were fixed as low as Rs. 18 per ton, there is a definite danger that mills using grass mainly or partially as their raw material would find it more economical to substitute imported pulp."

I ask the Honourable the Commerce Member as to whether he wants that Indian mills should go in for imported pulp in preference to grass pulp:

"The result would be a fall in the demand for grass which would throw a not inconsiderable number of persons out of employment who are engaged in cultivation, collection and transport. There would also be a set-back to the cultivation of grass on waste land to which allusion has been made in the preceding chapter."

"Another point has been raised that a low duty on imported pulp might lead to the establishment of mills designed to use imported pulp only, the capital cost of which would be low as no-plant would be required for the manufacture of pulp. Competition from such mills, it is suggested, would adversely affect mills using bamboo or grass as their raw material. We have examined this aspect of the question and do not find that the danger is so serious as is supposed."

They do not accept the contention referred to and quite impartially and justly they say:

"Taking all points into consideration, we do not think that it would be safe to fix the minimum rate of duty at anything less than Rs. 35 per ton, which is slightly above the mean between the duty required for bamboo pulp and the duty required for grass pulp."

As Honourable Members will notice, they have already said that Rs. 18 is required for bamboo and Rs. 47 for grass and they fixed the mean at about Rs. 35. Now this is very important:

"This rate is Rs. 21-4-0 per ton less than the present import duty of Rs. 56-4-0 per ton."

It seems to me that, taking all these facts into consideration, I have made out that there is a case for protection of the grass pulp; that if it is not protected, the Indian mills will suffer and will go in for imported pulp; and the result will be disastrous consequences to those engaged in the cultivation, collection and transportation of grass pulp. My Honourable friend referred to various figures into which I do not want to go because I dispute the very fundamental position that grass pulp does not need protection. As for the fair selling price, I merely want to invite attention to page 38 of this report in which they give an estimate of the fair selling price as compared with the estimate of the Tariff Board of 1931. The 1931 estimate was Rs. 327 for works cost, Rs. 73 for overhead charges, Rs. 64 for profits, and a fair selling price per ton of Rs. 464. Under every item they have come down, thus, for works cost Rs. 276, for overhead charges 61.5, and for fair selling price per ton Rs. 378-3-0. Now apart from the supply of raw material on the question of the burden on the consumer I want to draw the attention of the House with regard to the question of the burden on the consumer. We constantly hear and very rightly in this House whenever protection is asked for or pressed for an industry, what will be the result of this protection

[Mr. S. Satyamurti.]

on the consumer? I want to give certain facts to this House as stated in paragraph 58 of this report, page 46:

"The Tariff Board of 1931 found that the average price realised by the three principal companies in the period 1924-25 to 1930-31 was Rs. 472 per ton. The average price realised by the same three companies in the period 1931-32 to 1936-37 was Rs. 411 per ton, a reduction of Rs. 61 per ton Complete figures for the year 1937-38 are not available, but, so far as we have been able to ascertain, the average realised price of these three companies increased to Rs. 420 per ton. On the whole the burden on the consumer has been considerably less than the Tariff Board of 1931 expected."

The next point, Sir, I want to make in connection with this is with regard to the measure of protection for paper, which is the next class of articles in this Schedule No. X which is sought to be amended by this Bill. Paragraph 63 at page 55 says:

"Except for representations by the Printing and Publishing industry, it has not been contended on behalf of any responsible association in the present circumstances of the industry that the withdrawal of the protective duty is desirable in the general interests of the country. Both importers and traders have expressly stated that they do not oppose the continuance of protection for a reasonable period at a reasonable rate for the present classes of protected paper. Such Chambers of Commerce and similar Associations as have replied to our questionnaire have supported the continuance of protection either at the level of one anna three pies per pound or at the level of one anna per pound, the rate recommended by previous Tariff Boards. Some of them have recommended the extension of protection to new classes of paper such as wrapping paper.

In our opinion the time is not yet ripe for the withdrawal of protection to the industry. As we have shown in earlier chapters, though bamboo as a pulp-making material has passed the experimental stage, it cannot yet be considered to have attained the stage of maturity. It is only within the last three years that bamboo pulp has been produced on a considerable scale and its manufacture is confined to four mills. There is room for considerable improvement in the quality of bamboo pulp, for the production of the classes of paper at present made wholly or partially from bamboo pulp, and its suitability for the manufacture of new classes of paper such as kraft has yet to be tested on a commercial scale."

"The effect of the withdrawal of the protective duty would be serious for would-be mills and still more worse for new mills So far as we can judge, the removal of protection would result in the closing of some at least of the new mills and probably two or three of the established mills, and in the curtailment of production of those which survive, because they would find it difficult to compete with imported paper except in markets in which they enjoy a definite freight advantage."

Then, they add this:

"We see no reason why ultimately the industry should not be able to stand without the assistance of protection, provided that action is taken to prevent unfair competition through the dumping of paper at unremunerative prices."

After all, as regards one of the conditions laid down by the Fiscal Commission that an industry's protection must depend on whether ultimately it will be able to dispense with protection, this industry has satisfied that test. Therefore, they recommend:

"That the further period of protection should be for seven years."

I may say at once that Government have sat still for years because they cannot examine some of the recommendations of this Tariff Board. I suggest that this idea of having a hand to mouth policy of one year and two years and three years is not fair to the industry and, to the consumer, and, after all, there must be some finality about these matters. There is capital involved, there is labour involved, the mills ought to be able to pay for the capital and expense in the confidence that at least for some not unreasonably short time they can expect the present

rate of protection to continue. It seems to me that this is more due to the fact that the Government cannot make up their minds than to the merits of any particular question at all. Therefore, whenever the Tariff Board says, "seven years," they say "two years". I say this drastic limitation of the time is not in the interests of the companies concerned or of the country. Therefore, having examined all these matters, they make their recommendations at page 61 and they say:

"Deducting the duty of Rs. 175 per ton, the price of imported paper may be taken as Rs. 248. The difference between this figure and the fair selling price of Rs. 381 is Rs. 133 per ton. The measure of protection required may, therefore, be taken as 11 pies per pound. This protective duty is 1 pie per lb. less than the measure of protection recommended by the Tariff Board of 1931 and four pies per lb. less than the present protective duty, including revenue surcharge of 1 anna 3 pies per lb., a reduction of approximately 27 per cent. . . ."

Sir, I think it was in this connection that my Honourable friend referred to a lacuna in the recommendation of the Tariff Board that they had not made sufficient allowance for the fact that the previous Tariff Board had taken in their fair selling price the cost of manufacture and overhead charges,—or is it in the case of pulp? I take it the Honourable Member meant pulp?

The Honourable Sir Muhammad Zafrullah Khan: Pulp.

Mr. S. Satyamurti: On that matter I have not examined these reports with that care and with that time for me to get up and say "you are wrong" but I have every confidence in expressing grave doubts that Tariff Board has made a serious blunder in coming to a conclusion on perhaps the most important subject before them. If really Government felt that this Tariff Board had made a serious blunder, I think they owe it to themselves to refer this matter to some other Tariff Board or ask another Tariff Board to examine this question. I do not think it is fair to this House to make a serious charge against a Tariff Board and not allow the Tariff Board to explain its own point of view and to ask us to accept Government's version. I think the House is entitled to an amount of caution and scepticism until all the cards are placed on the table of the House. We are not told how this matter actually arose.

At this stage I invite the House to look at the schedule recommended by the Tariff Board at pages 66-67 and compare it with the proposals made in the Bill by my Honourable friend. On page 66 they begin by saying "Wood pulp protective Rs. 35 per ton or Rs. 35 *ad valorem* whichever is higher". Wood pulp according to the Bill will not be protective duty at all but it will be only revenue duty and that too only 25 per cent. *ad valorem*. I want to invite the attention of the House to the distinction in the description of the duty between revenue and protective. This is not a meaningless distinction. There is provision in the Indian Tariff Act XXXII of 1934, sub-section (1) of section 4 wherein it is said:

"Where in respect of any article chargeable under the first Schedule with a duty characterised in the third column thereof as protective the Governor General in Council is satisfied after such enquiry as he thinks necessary that such duty has become ineffective or excessive for the purpose of securing the protection intended to be afforded by it to a similar article manufactured in India, he may by notification in the Gazette of India increase or reduce such duty to such an extent as he thinks necessary either generally or in respect of such article when imported from or manufactured in any country or countries specified in the notification."

[Mr. S. Satyamurti.]

I should like to know why the Government rejected the recommendation of the Tariff Board to make this a protective duty and made it a revenue duty because they give up the power which they have under section 4(1) of Act XXXII of 1934.

Then, Sir, with regard to writing paper under two categories they wanted protection. They have also suggested protection against two other kinds of paper. The Government have reduced the rate from eleven pies to nine pies. There are other distinctions with regard to the period of protection which they have reduced from seven years to three years. There are also minor distinctions, on which I need not detain the House. But I believe I am right in saying that, so far as the recommendations of the Tariff Board are concerned, they have been departed from by the Government in very important matters. Therefore, it seems to me that considering all the matters and the arguments advanced by the Tariff Board, the Government have no case for their Resolution.

Now, let us examine the Resolution in which they summarise the recommendations of the Tariff Board in paragraphs 2 and 7. With regard to the measure of protection they say they have not been able to accept, with regard to paper, the Board's conclusions about the extent or measure of protection and they say "no case has been made out for the continued protection of wood pulp." I have tried to meet these points in the words of the Tariff Board itself. Then, the Government make a statement in paragraph 4 which is very tendentious:

"The previous Tariff Boards when examining the need of protecting wood pulp have held the opinion that the successful development of the indigenous paper industry depends on an increasing use of bamboo as against the relatively expensive grass pulp and that the continued use of the latter would make it more difficult for the industry ever to dispense with protection."

Then they summarise the findings of the Tariff Board with regard to the cost of *sabai* grass and the measure of protection required for bamboo pulp and grass pulp.

Then comes a sentence which I suggest is *suppressio veri* and *suggestio falsi*:

"The Government of India agreeing with the opinion of the previous Boards, consider that a claim for protection cannot be made on behalf of grass pulp."

Sir, I have read extensively from these reports of 1931 and 1938 to show why the first Board did not consider grass pulp because the cost of manufacturing bamboo pulp was greater than the cost of manufacturing grass pulp then, and the protection given to bamboo would be sufficient for protecting grass also. In the later report, they said that while grass pulp is used only by four mills, protection must be such as to protect both the grass and bamboo pulp mills. I do not know which Tariff Board Government has in mind when they say grass pulp ought not to be protected. They say:

"The revenue duty of 25 per cent. *ad valorem* is sufficient to permit the manufacture of bamboo pulp in India at economic rates and the Government, therefore, propose to levy on imported wood pulp a duty of 25 per cent. *ad valorem* only."

Assuming they are right that they can protect bamboo pulp at this rate, what becomes of the mills which have to use grass pulp? Are they to shut up? Are they not to expand? Secondly, is it contended that they ought to import imported pulp, manufacture paper out of the imported pulp which

is the most important raw material? Is it suggested that the mere manufacture of bamboo pulp at economic rates is enough protection not taking the various forms of processes into consideration? The Government Resolution says:

“The Board when considering the protective duty on paper has confined its calculation of the cost of manufacture to paper made from bamboo pulp alone. It appears, however, to have erred in the figure for the cost of conversion of pulp to paper. The Board accepts Rs. 140 per ton as a reasonable estimate of the cost of conversion and maintains that this estimate is lower than the figure (Rs. 141 per ton) taken by the Tariff Board in 1931 but makes an addition of Rs. 32 per ton to the above estimate on account of the cost of bleaching, selling expenses, insurance, rents, rates and taxes which were not shown separately in the former Report but were included in the single figure for cost of conversion.”

I shall be obliged if my Honourable friend will give us the reference in the previous Tariff Board report which I have not been able to find out where they say they took all these factors into consideration in arriving at this figure of Rs. 141. Secondly, I want to know where they get the cost of bleaching as a factor which they add. I shall be glad to be corrected. I refer to page 32 of the 1938 report where they say:

“Our estimate of the average cost of unbleached pulp is Rs. 111 per ton. Adding Rs. 20 as the cost of bleaching, the works cost of bleached pulp will be Rs. 131.”

Similarly, I take it with regard to paper also they are not adding these new figures as was not done by the previous Tariff Board. Therefore:

“The Government of India consider that the fair selling price of paper, *viz.*, Rs. 378-3-0 per ton arrived at by the Board should be readjusted by leaving out these additional items of expenditure and the protective duty proposed should be accordingly reduced from 11 per lb. to nine pies per lb.”

This figure of Rs. 378-3 is given at page 38 of the 1938 report. I frankly am unable to follow the Government when they say that they have made out a case for the reduction of duty from eleven to nine pies per lb. I would ask the Government to make this point clear a little further. As regards the reduction of the period, they say:

“Since the statistical examination made by the Board cannot, in view of the adjustments which have been found necessary, be made the basis of a long period of protection, it is proposed that the period of protection should be three years only towards the end of which period the question of protection will again be referred to a Tariff Board.”

This seems to me to be a very unsatisfactory position. In these circumstances, I say, so far as the arguments and the facts before the House are concerned, they all point to the fact that we must accept the recommendations of the Tariff Board and not accept the recommendations of the Government as embodied in the Bill, in so far as they depart from the recommendations of the Tariff Board. Then, I go on to clause (d) of the Bill which refers to silk, and this is what they say in paragraph 2 of the Statement of Objects and Reasons:

“The Tariff Board have recently submitted a Report on the Sericultural Industry *etc.*”

May I know when they submitted that?

The Honourable Sir Muhammad Zafrullah Khan: Towards the end of January.

Mr. S. Satyamurti: Well, one year is the normal period for Government to examine a Tariff Board report!

"As there is not sufficient time to complete the examination of that Report before the 31st March when the protective duties in silk and certain manufactures of silk will expire, it is proposed to continue the existing duties for another year under this Bill."

Why was not the Board appointed in time, why was not the report received in time, and why did not Government consider it in time? It does seem to me that this idea of continuing, for short periods, the duties because they are not able to get their reports or to conclude their consideration of these reports is a most unsatisfactory way of dealing with important matters. Then, Sir, there is one clause which looks very innocent,—clause (e),—on which I should like some elucidation. We are told in the Notes on Clauses that

"Sub-clause (e) is consequential upon sub-clause (d) which has varied the duration in relation to some of the items mentioned in item No. 49."

I have tried to understand it as far as I can, but still I have not succeeded in understanding it completely. I shall, therefore, be obliged if the House is informed exactly as to what the scope of this clause is. Item 49 stands thus:

"Textile manufactures—

The following articles when made wholly or mainly of any of the fabrics specified in items Nos. 48, 48(1), 48(3), 48(4), 48(5), 48(7), 48(8), 48(9) and 48(10)",

beginning with bedsheets and ending with umbrella covers.

The clause says that the duty is there up to March 31 of 1939:

"*Ad valorem* rates of duty applicable to the fabric of which the article is wholly or mainly made."

In the fourth column, they want to substitute now:

"The duration applicable to the fabric of which the article is wholly or mainly made."

If you turn to clause (d) and compare the various items I think I am right in saying that it is only with regard to items 48 and 48 (4) that the period is extended to 1940. With regard to all other items if Honourable Members will turn to the items they will find item 46 is up to March 31, 1939; 46 (1)—31st March, 1939; 47—31st March, 1939; 47 (1)—31st March, 1939. Is it suggested that with regard to all these fabrics made out of these particular articles the protection ought to cease? That is to say, as protection was given only up to the 31st March, 1939, and that period has not been extended and the entry here is, "The duration applicable to the fabric of which the article is wholly or mainly made", I want to know whether except with regard to items 48 and 48 (4) the protection is not to continue beyond the 31st March, 1939.

The Honourable Sir Muhammad Zafrullah Khan: It obviously means that with regard to these articles the period of protection will be the same as for the fabrics of which they are made.

Mr. S. Satyamurti: I know, but I am asking with regard to 48 (1) which is up to 31st March, 1939. But 48 (1) is not in clause (d) of the Bill.

The Honourable Sir Muhammad Zafrullah Khan: Some of these items are dealt with in the Third Amendment Bill.

Mr. S. Satyamurti: Anyhow as we have not got the Third Amendment Bill before us yet now. I will not pursue the matter further. I merely wanted to mention my doubt in the matter. I take it from the Honourable the Commerce Member that with regard to all these fabrics the period is extended to 1940 either in this Bill or in the later Bill.

The Honourable Sir Muhammad Zafrullah Khan: In the case of silk and silk goods it is being extended by one year; in some other cases it is being extended by three years.

Mr. S. Satyamurti: I take it, therefore, that with regard to all these items it is extended.

The Honourable Sir Muhammad Zafrullah Khan: This is a residuary item and with regard to this the period of protection will in each case be according to the fabrics of which these articles are made. Whatever period is being provided either in this Bill or in the other Tariff Bill for the fabrics, the same will apply to these articles.

Mr. S. Satyamurti: I thank the Honourable Member.

Now, Sir, I have examined all these various clauses. I submitted to the House that it is unfair to this House that a Government which is not responsible to this House or to anybody else should have this claim and exercise this right of differing from the Tariff Boards' reports on the one hand and not binding themselves to abide by the verdict of this House. My claim is that, in order to evolve and work a genuine, good fiscal policy for this country we ought to have a permanent Tariff Board consisting of the most eminent men we can get of the status of High Court or Federal Court Judges, and there should be a permanent Tariff Board not amenable to the political influence of this Government or any of its successors. It is not as if any Government, including certainly any democratic Government, should have the power of dealing with the tariffs of a country without the assistance and the expert advice of the best men in the country, best in the sense of experience and knowledge and integrity and impartiality, on whose reports alone action may be taken.

Secondly, Sir, Government ought to make it clear to themselves and to this House that, if they must differ from the Tariff Board, they will not take the responsibility of so differing without the consent of this House. Last but not least, I plead on behalf of the overworked Members of this House that this idea of submitting before us three Tariff Board reports at the far end of the Session and within five days of the debate, asking us to refer to previous reports about half a dozen in number, and asking us to consider their Bills and Resolutions is not fair to the House. It is reducing the House to a farce. We cannot legislate with that attention to detail, with that mastery of the principle of legislation, and with that active touch with the interests concerned, that we must have if we are to legislate wisely in this matter. I do hope that, when the next stage is reached, amendments will be moved to restore, wherever the House considers proper, the rates recommended by the Tariff Boards, where they consider they are just and proper.

At any rate, Sir, I conclude on this note that Government in their Resolutions have given no convincing reasons. They pay scant regard to the recommendations of the Tariff Boards and, if I may anticipate for one

[Mr. S. Satyamurti.]

moment, in their Resolution on the Sugar Tariff Board, they really enter into a public quarrel with these Tariff Boards. It seems to me that, if this mentality of the Government of India goes on, no self-respecting man, Indian or European, will be found to serve on these Tariff Boards. They have got a thankless task to do; they do their work very carefully and they put forward their recommendations, only to be told that they are school boys who did this and should not have done that, etc. It is not fair to this House or to the Tariff Board or to the vast interests involved. I, therefore, commend to the House the idea of examining this Bill most carefully from the point of view of the Tariff Boards' reports, and not accepting the recommendations of the Bill unless a much stronger case than has been made out by the Honourable the Commerce Member is made hereafter.

Sir Cowasji Jehangir: Sir, I am going to deal with only one aspect of this Bill, namely, magnesium chloride.

Mr. Abdul Qaiyum (North-West Frontier Province: General): What is magnesium chloride?

Sir Cowasji Jehangir: After the long speech of my Honourable friend, Mr. Satyamurti, if my Honourable friend does not know that magnesium chloride is included in this Bill, I will suggest that he was having a nap.

Mr. Abdul Qaiyum: But what is this substance?

Sir Cowasji Jehangir: It is a chemical powder which is used for sizing in the textile industry.

Sir, as my Honourable friend, Mr. Satyamurti, has already informed you, and as my Honourable friend, the Commerce Member, has explained, the duty on this magnesium chloride was Rs. 1/5/- per cwt. The Tariff Board suggested 15 annas per cwt., and Government now suggest 12 annas. The only reason which they have given for changing the Tariff Board's recommendation is stated in a few lines in a sheet of paper, one-quarter of which is an order. The relevant part has been read out by my Honourable friend, Mr. Satyamurti, and I may be just allowed, especially for the information of my friend, from the North-West Frontier Province, to read a relevant part of the order. This is what they say:

"In arriving at the fair selling price for magnesium chloride the Board has rightly taken into account the freight disadvantage which the Indian product has to face in the Bombay city. It has, however, made the error of making an allowance on this account in respect of the whole production of the industry, a considerable proportion of which is consumed in upcountry markets where the Indian produce either is at no freight disadvantage or even enjoys a certain advantage."

Now, Sir, the Government make bold to say that the Tariff Board have made an error. My humble opinion is that it is the Government that has made the error, and not the Tariff Board. I do not intend to speak for more than seven minutes, and trust that Government will take the figures that I am giving them into their serious consideration and will revise their opinion.

The whole point is the question of freight. The recommendation of the Tariff Board was read out by my Honourable friend, Mr. Satyamurti, and while the Honourable the Commerce Member was speaking, I drew his

attention to the arguments which the Tariff Board have given for considering that there is no reason to take the freight question into consideration at all. Now, the amount of magnesium chloride made in this country and which is consumed in this country is 6,800 tons. Out of this, 1,500 tons go to Bombay city. The Government and the Tariff Board agree that the Indian industry is not at an advantage with regard to the freight to Bombay. Then, 2,100 tons are sent to Central India, the Central Provinces and the Deccan. All this magnesium chloride has to go through Bombay. It has to be railed to Bombay and has to go through Bombay to reach Central India, the Central Provinces and the Deccan. Therefore, the argument of the Tariff Board which is supported by Government still holds good, namely, that there is no freight advantage. Then, we go to Ahmedabad. Ahmedabad takes 1,300 tons out of the 6,800 tons. The Tariff Board have pointed out that it is imported through the Kathiawar ports, and this has made a difference since the last Tariff Board's report. I understand that the imported article.....

Mr. Bhulabhai J. Desai (Bombay Northern Division:Non-Muhammadan Rural): Magnesium chloride which is made in India cannot go through a port.

Sir Cowasji Jehangir: The imported magnesium chloride comes through Kathiawar ports and the imported article costs two annas a ton less than the Indian made article to get to Ahmedabad through the use of this port. If you can contradict my facts, I ask you to prove it. I have got these facts from the industrialists themselves. Therefore, the argument that the imported article is at a disadvantage as compared to the Indian made article supplied to the city of Ahmedabad is not correct. It may have been correct when the last report was made but it is not correct now. And what is more important is that the Tariff Board have pointed that out in unequivocal language. Madras, Cochin, and Calicut take 500 tons *via* Bombay. Then, we come to Calcutta which takes 500 tons. That also has to go through Bombay. There are 300 tons which go to other places and I am not in a position to give you any authentic information about this. Then, 800 tons of magnesium chloride goes to the United Provinces and Northern India. There it is admitted that the Indian product has an advantage over the imported product from the point of view of freight. Therefore, on the question of freight, the only advantage that the Indian made article has over the imported article is with regard to 800 tons out of 6,800 tons supplied to India by the industry in India. If these facts are correct, I do not see how the Government could possibly come to the conclusion they have, when the Tariff Board did say that the question of freight should not be taken into consideration, and when they did recommend that it should be reduced to 15 annas. My point is that if the facts that I have given along with the facts submitted by my Honourable friend, Mr. Satyamurti, are correct, it is the Government who have erred and not the Tariff Board. It only shows and emphasises the point made by Mr. Satyamurti that it is rather dangerous to try and controvert the definite opinions expressed by a Tribunal appointed by Government to examine a question in all its bearings. The evidence, that Government must produce, must be of a character which will convince this House and which will prove even to the members of the Tariff Board themselves that they have erred. It seems to me, Sir, that on this question, which is a small matter, it is the Government who have erred: and there was no

[Sir Cowasji Jehangir.]

justification for Government to have reduced the duty from 15 annas to 12 annas as they have done in spite of the recommendation of the Tariff Board. I trust that Government will give this matter their serious consideration. Whether this House expresses an opinion one way or the other, or not, or whether the Government are bound to implement the opinion of this House or not, Government should consider this question regardless of the views of this House. If the facts that I have placed before them are correct, I trust they will correct their mistake and of their own accord put up the duty to 15 annas from 12 annas. I have nothing further to say at this stage except to appeal to Government to look into the facts I have given, and to do justice to the industry.

Babu Baijnath Bajoria (Marwari Association: Indian Commerce): Sir, as one whose family has been closely connected with the paper industry for the last three generations, practically since the infancy of the paper industry in this country, I think I owe a duty to this Honourable House to explain in some details the progress made in the manufacture of paper in this country and to illustrate the various recommendations of the Tariff Board which they consider necessary for the further development of this industry in this country and the harm which will be done to this industry due to the reduction in the quantum of protection on paper and the withdrawal of protective duty on imported wood pulp as has been proposed by the Government in the Bill under discussion. I will deal with this subject in distinctive parts. Firstly, I will deal with the proposal of the Government to do away with the protective duty on wood pulp. Secondly, I will deal with the effect that will be felt by the industry by the reduction in the protective duty as is proposed in the Bill in spite of the recommendation of the Tariff Board. Thirdly, I will deal with the question of the term of protection which the Tariff Board has proposed, namely, seven years, and which the Government in their discretion have thought it fit to reduce to three years only. Fourthly, I will make some suggestions as to how this industry can develop and manufacture paper of the classes which are not manufactured at the present moment.

At the outset, I should like to say that the primary materials for the manufacture of paper at present are two, bamboo and *Sabai* grass. *Sabai* grass is the main ingredient on which this paper industry has been built in this country. *Sabai* grass is the principal ingredient that has been used in the manufacture of paper since the nineties of the last century when first the paper industry found a footing in this country. It is due to *sabai* grass that this industry has been stabilised. Of course, during recent years bamboo is coming into its own, and I am glad that a second substance which can be found even more readily than *sabai* grass has come into existence, and paper is now made more out of bamboo than of *sabai* grass. But, still, for the Government to say that *sabai* grass pulp has got no claim for protection and the paper mills which manufacture paper from *sabai* grass have no claim to protection—I must strongly and emphatically deny and contradict that. I have already said that *sabai* grass is the article on which this industry has been established. Even at present, with the exception of one or two mills, in all the other mills *sabai* grass is one of the principal ingredients. Two mills in

the United Provinces and one in the Punjab make their paper principally from *sabai* grass, whereas out of four mills in Bengal, three mills manufacture partly from bamboo and partly from grass. I need not read the paragraphs from the Tariff Board report which stress the value and the utility of *sabai* grass in the manufacture of paper as my Honourable friend, Mr. Satyamurti, has copiously quoted from that report.

Apart from the paragraphs which have been read by Mr. Satyamurti, I would read from paragraph 37, page 29:

“Until comparatively recent years grass was the principal indigenous material from which pulp was manufactured in India and is still of definite importance. Two of the mills which now manufacture bamboo pulp continued in 1936-37 to manufacture pulp from grass in one case in the proportion of two to one and in the other case in equal proportions. Two other mills use grass as their principal indigenous material and a third mill has recently experimented in the manufacture on a small scale.”

So, the value of grass to this industry cannot be over-estimated. It gives employment to tens of thousands of persons in the villages and the forests for the extraction of this important material. As has been rightly said in the Tariff Board's report, in the United Provinces and the Punjab, bamboo is not at all available and the mills will have to depend for their existence on *sabai* grass until some other substance of equal utility can be found available in those areas. (Interruption.) *Sabai* grass has different names—*babhar*, *biab*, *bankas*, *bagai*, and so on.

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

So, it is useless for the Government to say that they won't recognise *sabai* grass as an important ingredient in the manufacture of paper and won't give protection to those mills who manufacture paper from grass; in other words, pulp made from *sabai* grass does not deserve any protection. It is true, as has been found by the Tariff Board, that the cost of manufacturing air dry unbleached pulp as it is technically called, is more in the case of *sebai* grass than in the case of bamboo, because grass, after all, is a lighter substance and the cost of extraction is more than that of extraction of bamboo which is a heavier substance. But there has been considerable decrease in the cost of extraction of grass, or, consequently, in the price of grass and the cost of production of grass pulp. I will give the figures which have been quoted by the Tariff Board. The Tariff Board has said that the cost of grass pulp in 1924-25 in the case of one mill was as high as Rs. 257 per ton and in the case of another mill Rs. 214. In 1930-31, the prices had come down to Rs. 157 in the case of one mill and Rs. 185 in the case of another mill. In 1936-37 the prices have come down further to Rs. 145 in the case of one mill and Rs. 148 in the case of another mill. There has been a substantial reduction in the price of grass pulp. Same is also the case in the case of production of bamboo pulp. In 1924-25 there was only one mill which was manufacturing paper from bamboo, and its cost was as high as Rs. 227, where in 1930-31 it was Rs. 196 per ton, and in 1936-37 it came down to Rs. 123 per ton, or there was a substantial reduction of Rs. 73 per ton or 37 per cent. during the six years between 1930 and 1936. This amply bears out that the mills have taken every precaution and every step to bring down their cost of production, and in that way they have justified the protection which was given to them. The Tariff Board, in estimating the future cost, have taken the cost of production of bamboo pulp at even much less a figure than for 1936-37 which was Rs. 123. Now, they have

[[Babu Baijnath Bajoria.]

calculated at the rate of Rs. 111 per ton and so they have made a further reduction of Rs. 12 per ton. They have added Rs. 33 for overhead charges which makes the total cost Rs. 144 per ton in the case of bamboo pulp.

India should be proud of the fact that she is the first country in the world to manufacture paper from bamboo. In all other countries most of the paper is made from wood, and the names of the species of wood out of which paper is made are given in the Board's report. These are not readily available in this country. They are, of course, available to some extent, but on account of the heavy cost of extraction and transporting them to the plains, it has not been found to be practicable proposition to use wood for the manufacture of paper, except perhaps pine wood, which is to be found in abundant quantities in Kashmir, and a proposal is afoot to construct a paper mill there. It has not yet taken definite shape, but I hope it will soon take shape, and it will then open up a new field for paper manufacture, just as the use of bamboo for paper manufacture has opened a vast field for paper industry in this country, and if at all we succeed in manufacturing paper from wood, then we can become self-sufficient in regard to our paper requirements in this country.

Sir, Government have done away with the protective duty on imported wood pulp. The reason, as far as I can see, is that bamboo pulp is cheaper, because, according to the Report of the Tariff Board, bamboo pulp requires a protection of only Rs. 18 per ton, and that will be secured by this 25 per cent. *ad valorem* duty, and, therefore, no protective duty is necessary there. They have, however, altogether ignored the claims of grass pulp, for which the Tariff Board has recommended that protection to the extent of Rs. 47 per ton is necessary. . . .

The Honourable Sir Muhammad Zafrullah Khan: No, they have not made that recommendation.

Babu Baijnath Bajoria: The recommendation which they have made is Rs. 35 per ton, but they have said that grass pulp will require a protection of Rs. 47 per ton.

The Honourable Sir Muhammad Zafrullah Khan: They have not made any recommendation on that basis.

Babu Baijnath Bajoria: As far as I have been able to read the Tariff Board Report, I think. . . .

An Honourable Member: What is the page, where have they said that?

Babu Baijnath Bajoria: The Tariff Board have said that bamboo pulp requires a protection of Rs. 18 per ton and grass pulp requires protection to the extent of Rs. 47 per ton. That is what I was saying, and so taking a mean between these two, they have proposed a protective duty of Rs. 35 per ton,—I think I am right. . . .

The Honourable Sir Muhammad Zafrullah Khan: Yes, but the Honourable Member was saying that they have recommended a duty of Rs. 47 per ton.

Babu Baijnath Bajoria: I did not say so.

Then, Sir, my friend, Mr. Satyamurti, laid great emphasis and pointed out very ably why protection should also be given to grass pulp. He also pointed out that it was very difficult for us to read all the Tariff Board Reports, the present and the past ones, but he is a very studious student and so he has been able to read all of them and has passed first class first, but I am sorry I have been able to read only the present or the latest Report of the Tariff Board, and I will be satisfied if I get pass marks only.

I think, Sir, I have made my position quite clear as to why Government must grant a protective duty on grass pulp. . . .

The Honourable Sir Muhammad Zafrullah Khan: How much?

Babu Bajinath Bajoria: As has been recommended by the Tariff Board.

The Honourable Sir Muhammad Zafrullah Khan: According to you, that is not enough.

Babu Bajinath Bajoria: That will be sufficient in this way, because some of the paper mills are using both bamboo and grass, while others are using only grass. They will be at a slight disadvantage no doubt, but they will be able to make up, or rather they will have to make up.

Then, Sir, there is another aspect to be considered, and pointed attention was drawn to it by my friend, Mr. Satyamurti. What will happen if grass pulp is not protected? The result will be that there will be a more extensive import of wood pulp from abroad. Well, does this House or any section of it want that there should be an increase in imported wood pulp at the expense of grass pulp and all other kinds of pulp that can be produced in this country? The effect of the present protection to imported wood pulp has been that it has led the mills to make investigations into the use of other raw materials as well. I may inform the House that apart from bamboo and grass, there are other subsidiary raw materials which supplement the manufacture of pulp in this country, and they are waste paper, paper cuttings, rags, old hemp and jute, ropes and cuttings, waste material from textile mills, etc.

As regards strawboards, they are made from rice and wheat straw and also from grass. Bagasse is the material left over after crushing sugar cane. It is not yet used in paper manufacture, but there is every possibility of its being so used, and researches are being carried out at the Research Institute at Dehra Dun in this matter, and if they are successful, then we shall be able to make all the strawboard that we require from raw materials obtainable in this country.

Mr. Abdul Qaiyum: What about sugar factories? Is it not used as fuel?

Babu Bajinath Bajoria: I do not want to go deep into these matters, but I will say that it is a criminal waste to use Bagasse as fuel. Bagasse is used as fuel in sugar mills, because no other use can be made at present of that material. If that material can be used for the manufacture of strawboards, then we shall be able to use coal as fuel in our sugar factories.

[Babu Baijnath Bajoria.]

I will show how there has been a decline in the imports of wood pulp.
 4 P.M. My friend, Mr. Satyamurti, gave some figures and I shall give a few more:

“With the imposition of the protective duty on imported pulp and a reduction in the cost of indigenous pulp made from bamboo or grass, it has been more economical for mills to use indigenous pulp than imported pulp, but the pulp making capacity of mills has not hitherto been equal to their paper making capacity. Partly for this reason and partly because an admixture of imported pulp is considered at present necessary in the production of some classes of paper such as antiques, typewriting, and bank papers, all mills continue to use some quantity of imported pulp though the proportion has tended to decrease steadily. The quantity used in the four mills manufacturing paper from bamboo pulp or bamboo and grass pulp combined has fallen from 18,362 tons in 1931-32 to 9,045 tons in 1936-37 and to 7,608 tons in 1937-38.

There is general agreement among mills that there is room for further reduction in the use of imported pulp. One mill using bamboo and grass pulp as its main material had by 1936-37 reduced the proportion below 10 per cent. and made a further reduction in 1937-38

The average proportion of imported pulp used by bamboo mills in 1937-38 did not exceed 20 per cent. By the end of a further period of protection this proportion should be reduced to 5 per cent.”

Are we going to put any hindrance in the way of this reduction?

The Honourable Sir Muhammad Zafrullah Khan: But that refers only to bamboo mills!

Babu Baijnath Bajoria: Bamboo mills have also been using this imported wood pulp: but this refers to mills using bamboo and grass.

Apart from these primary raw materials of which the pulp is made, there are the auxiliary materials which are the chemicals and bleaching and sizing materials used for these mills. All of these are available in India excepting sulphur, caustic soda, soda ash, bleaching powder and dyes. We will have to continue to import sulphur and dyes because sulphur is not available in India and dyes are not yet manufactured; but as regards others—caustic soda, soda ash and bleaching materials, companies have been formed which will supply these materials. As a matter of fact bleach is also being manufactured in one or two mills. Other mills do not go in for these plants because they expect they can get it cheaper from other companies formed for the purpose.

The Honourable Sir Muhammad Zafrullah Khan: That would mean that you would not require such high protection in future.

Babu Baijnath Bajoria: It will depend on the price at which we will be able to get these materials from the local companies. . . .

The Honourable Sir Muhammad Zafrullah Khan: If they are any dearer than the imported materials. . . .

Babu Baijnath Bajoria: They will claim protection themselves. . .

The Honourable Sir Muhammad Zafrullah Khan: What is the exact argument of the Honourable Member on this point?

Babu Baijnath Bajoria: My argument was only to say that practically all the materials required for these mills are Indian materials. I wanted to stress that the paper mills are a national industry to all intents and purposes. That is the point I wanted to make. . . .

The Honourable Sir Muhammad Zafrullah Khan: The Tariff Board, the Government and Parties in this House are agreed that the industry has made out a case for protection. There is no difference on that.

Babu Baijnath Bajoria: I am glad. I only wanted to lay stress on it.

I come now to the question to which the Honourable the Commerce Member referred. He said that the Tariff Board has accepted that 140 rupees per ton is the cost of conversion of pulp to paper. The difference between the Honourable Member's version and the Tariff Board's version is that whereas the Tariff Board thinks that Rs. 140 is the cost of conversion from bleached pulp into paper, my Honourable friend, the Commerce Member, thinks that it is the cost of conversion from unbleached pulp into paper. I have not been able to go through the previous Tariff Board Reports; and though I have tried to have a cursory glance at it, I have not been able to check the figures to see whether the Commerce Member is right or wrong. But as has been rightly pointed out by my Honourable friend, Mr. Satyamurti, this was such a glaring mistake, that if it was a mistake, the matter should have been referred again to the Tariff Board pointing out their mistake. Here the Tariff Board says that the cost of bleaching is only Rs. 20 per ton—Rs. 7 for selling expenses, Rs. 4 for insurance and one rupee for rates and taxes. I do not know whether this has got any reference to the cost of bleaching. As I have pointed out the Tariff Board has taken the cost of production of paper both from bamboo and from grass at figures even lower than their present cost. As I pointed out the present cost to the mills for bamboo pulp was Rs. 123 and they have taken Rs. 111 per ton: they have already, therefore, made a reduction of Rs. 12 per ton, and in the case of grass pulp they have reduced the cost by Rs. 8 per ton. Therefore, even if the Honourable the Commerce Member is right the difference comes only to Rs. 8 or Rs. 10 per ton. . . .

The Honourable Sir Muhammad Zafrullah Khan: Rs. 32.

Babu Baijnath Bajoria: If you take that Rs. 12 also as regards selling expenses and insurance expenses—but I have not been able to verify that at all. Now, I will come to the protection of paper. Here let us see how the paper industry has developed on account of this protection. There is no gainsaying the fact, and all sections of the House are agreed that this protection to paper industry has resulted in the development of the industry and there has been a gradual increasing production of paper. As a matter of fact I will read out from page 42. In the table which is given there we find that of the classes of paper which are protected the Indian industry is making more than 80 per cent. The total import of the protected paper—that is, printing and writing paper—in 1936-37 was only 12,300 tons, whereas paper manufactured in India was 43,300 tons; and this protection has also not increased the price of paper during the period of protection to the consumer: that is, the price of paper before this protective duty was imposed was higher than the price at which the consumer is getting this paper now.

[Babu Baijnath Bajoria.]

Now, I would refer to the suitability of giving protection to further classes of paper and will review very shortly those classes which are not protected at the present moment and which we have to import from outside. In this unprotected category there is the newsprint and other qualities which contain more than 70 per cent. of mechanical wood pulp. The imports of these are 43,600 tons in 1936-37. These kinds are not manufactured at the present moment and so I do not think that protection is needed. The same thing applies to fancy paper—3,500 tons. There is another class of paper, known as packing and wrapping paper, including kraft paper, the imports of which have been 18,200 tons in 1936-37 and the Indian mills have manufactured 3,000 tons in 1936-37. I would say that protection should be extended to these classes of paper and, especially, to those classes of paper which are being made at the present moment, even though in small quantities and which will be manufactured in larger quantities in the very near future. As the Honourable the Commerce Member is aware, a new mill has been established in Orissa which has been designed, with the intention of manufacturing kraft paper and let us hope they will be successful. It is much better to grant protection from the very start. If protection is given now, then they will be able to get a stronger foothold in the market. Otherwise, they will not be able to compete with the imported paper. If protection is granted after a year or two, by that time they will be in a weak condition. I should also like to refer to blotting paper. This also is being made by several mills and, if protection is granted, they will be able to manufacture this class of paper too. It is a matter for satisfaction that as regards straw boards and mill boards the paper mills of this country have said that they do not want any protection and they are making headway without protection. Another point which has to be taken into account to decide the quantum of protection is the price at which paper is sold. It has been said that the price had gone up in 1937-38. It is true, but what about the price which is ruling now—the price of Government contract for the year 1938-39. I would like the Commerce Member to hear me on this point.

The Honourable Sir Muhammad Zafrullah Khan: I am listening.

Sir Syed Raza Ali (Cities of the United Provinces: Muhammadan Urban): All of us are listening to you very attentively.

Babu Baijnath Bajoria: Sir, great stress was laid in this report about the rate at which protection is to be given. It has been mentioned here that the price of paper realised was Rs. 423 per ton in 1937-38. I may inform the Honourable the Commerce Member that on account of the new mills having started production, in recent months, the price of paper has gone down considerably and the price at which Government have been able to secure their paper for the year 1939-40 has been reduced by seven pies per pound or about Rs. 80 per ton. The method of calculation which is adopted in this Tariff Board is this. They calculate the fair selling price at Rs. 381 per ton—my Honourable friend, the Commerce Member, calculates it at 349 after deducting Rs. 32 a ton—and deduct therefrom the cost price of the imported paper which is arrived at by calculating the price realised for the paper by the mills and deducting the amount of protective duty from such price. This is explained in the last paragraph on

page 61 of the report. There the Board finds that the price realised for paper as Rs. 423 per ton—and deduct Rs. 175 per ton which is the protective duty and then arrive at the conclusion that the price of imported paper may be taken to be Rs. 248 and the difference between 381 and this price of 248, that is 133 per ton, is the measure of protection required, which they calculate at eleven pies. If the fair selling price is the same, Rs. 381 or even Rs. 20 lower and if the price which is realised for paper goes down by Rs. 80 per ton, it comes down to about 343 and if we deduct the duty of 175 per ton, the price will be under Rs. 200 according to this calculation.

The Honourable Sir Muhammad Zafrullah Khan: The duty will not be 175.

Babu Baijnath Bajoria: Even at the rate of duty which is proposed, the quantum of protection required will come to more than eleven pies, on calculation. I hope the Honourable Member will calculate this and find it out. If necessary, I shall help him in making the calculation.

The Honourable Sir Muhammad Zafrullah Khan: I should prefer to have the Honourable Member's calculation first. Then I will check it up. The Honourable Member has said that prices have come down because quotations to Government are seven pies per pound lower than last year but those quotations are by the Indian mills. That means that the cost of production of Indian mills has gone down. That means that they require less protection than before.

Babu Baijnath Bajoria: The price has gone down but not the cost of production.

The Honourable Sir Muhammad Zafrullah Khan: They are able to quote lower prices for Government tenders because presumably they can produce it cheaper.

Babu Baijnath Bajoria: It is due to internal cut-throat competition. The new mills will have to face this competition and they will have to go to the wall.

The Honourable Sir Muhammad Zafrullah Khan: Then the Honourable Member has made this mistake. He says the price has gone down by Rs. 80 per ton, that is, the price of the Indian paper, but then he goes on to make his calculations by deducting this from the price of foreign paper.

Babu Baijnath Bajoria: I will read out a few lines from this Tariff Board Report. I am following exactly the same procedure as is laid down on page 61, in the last paragraph:

“Taking all points into consideration, we propose to take the average price realised in 1936-37 and 1937-38 by two companies which manufacture mainly protected classes of paper, namely 3 annas 0.28 pies per lb. or Rs. 423 per ton as the equivalent of the import price. We have left out of account the figures of the third company as a considerable proportion of its production consists of low grade paper. Deducting the duty of Rs. 175 per ton, the price of imported paper may be taken as Rs. 248. The difference between this figure and the fair selling price of Rs. 381 is Rs. 133 per ton. The measure of protection required may, therefore, be taken as 11 pies per pound.”

I would substitute the present figures for these figures. It is not the quotations to the Government. It is the contracts, the price at which:

[Babu Baijnath Bajoria.]

contracts have been given to the mills, it is not the quotations merely: Government will get their paper at Rs. 80 per ton less, which is about 15 per cent. less than last year, and so, if we deduct Rs. 80 from Rs. 423, the price comes to Rs. 343, and if we deduct Rs. 175 from Rs. 343, the price comes to Rs. 168, and the difference between Rs. 168 and the fair selling price of Rs. 381 will be Rs. 213 which will be the amount of protection required according to Tariff Board's method of calculation.

The Honourable Sir Nripendra Sircar (Leader of the House): You are deducting so many things from so many other things that we are puzzled.

Babu Baijnath Bajoria: Sir, then it has been pointed out in the speech of my Honourable friend, Mr. Satyamurti, that every section of the trade connected with paper, even importers and traders who were opposed to protection, when protection was first given to this industry in 1924-25, are now welcoming this protection and say that protection should be given and the Associations and Chambers of Commerce say that the protection should be at one anna and three pies per ton or at least one anna per ton. Sir, it is very hard on the industry, which, at the present moment, has developed to a considerable extent. As many as four mills have come into existence only within the last twelve months and two or three of them have commenced production only this year. Sir, at this stage it is most cruel that the quantum of protection should be so drastically curtailed from one anna three pies. First of all the surcharge was withdrawn. When the Paper Tariff Board was appointed, they were asked to give an interim report whether the surcharge should be taken off. That was practically tantamount to giving them a direction that they should make this report so that the surcharge may be taken off. After that, another three pies have been taken off by this Bill. So the protection has been reduced from one anna three pies to nine pies, *i.e.*, by 40 per cent. Sir, I think it will be very hard for this industry to flourish after such drastic reduction in protection.

Then, Sir, I would like to say something as regards one or two other points which the Tariff Board recommended. Firstly, about the proposed term of protection, namely, for seven years, I do not understand why the Government has reduced the period to three years. They say that a further inquiry will be held after two years, but the Tariff Board has recommended that there should be an inquiry before the end of 1939 for the purpose of granting further protection to those classes of paper which the mills manufacture and for which they qualify for protection. The Tariff Board has not said that the inquiry should be into the whole question of protection. But here, arbitrarily, I should say, the Government have reduced, for reasons best known to them, the period and they say that the protection should be only for three years. They set up a Tariff Board after two years, then, and God knows what they will do after that; probably the Tariff Board will take six months or a year in making a report and Government will sit tight over that report for another year or so,—and so the industry will suffer! It is also satisfactory that the indianization in this industry is also making a satisfactory progress. Well, this is admitted by the Board. Further, as a matter of fact all the new mills which have been started are hundred per cent. Indian. They have Indian capital, Indian management, Indian labour and Indian materials.

Mr. Sri Prakasa (Allahabad and Jhansi Divisions: Non-Muhammadan Rural): And foreign machinery.

Babu Baijnath Bajoria: One point which has been referred to in this report is about provincialism. I deprecate, as the Tariff Board has deprecated, that the two Provincial Governments should have insisted in respect of the employment of persons that they should belong to the same provinces. Such a narrow view should not be taken. After all, we must have the best men in India to whichever province they may belong and we must get their assistance for the development of this industry.

Lastly, there is a mention in this report about the inadequacy of the grant to the Research Institute at Dehra Dun. I should like to take this opportunity of paying my tribute to the excellent work which is being done at this Institute. It is through the efforts of this Institute that bamboo was first experimented and I should like to take this opportunity of paying my compliment to Mr. Ryatt who was the then Director of this Institute. It was due to his successful experiment that bamboo is now being used as the principal ingredient for the manufacture of paper in this country. I should also like to take this opportunity of paying my tribute to Mr. Bookless who was the then General Manager for the Indian Paper Pulp Company and who erected the first paper mill in this country at Naihati for the manufacture of paper from bamboo. There were many experts who doubted its success but he proved it to be a complete success. I would, therefore, suggest that Government should give their due consideration to the recommendation of the Tariff Board and provide Rs. 40,000 per annum, as a non-recurring grant, for the Paper Research Institute and Rs. 14,000 per annum as the recurring grant to it for purposes which have been set out in the Board's report. I also agree that the mills should make a voluntary contribution to this Institute as has been suggested in the Tariff Board's report, but I take exception to the levy of a compulsory or a statutory cess. I trust that I have made my points clear and I hope Government will give due consideration to the points which I have made and will help the industry to make further progress by granting adequate protection on the lines suggested.

Dr. Sir Ziauddin Ahmad: Sir, I would like to refer to one or two points brought forward by my friend, Mr. Bajoria, who is the paper magnate. Perhaps, through the slip of the tongue, he mentioned that he has been engaged in this paper trade for the last three generations, and yet the industry is in its infancy.

Babu Baijnath Bajoria: My family is engaged in this industry for the last three generations, and not I alone.

Dr. Sir Ziauddin Ahmad: That I can understand.

Now, I will refer the House to the third condition mentioned on page 47 of the Fiscal Commission's report. As this industry does not satisfy the third condition, namely, that it should ultimately stand on its own legs, it does not need any protection at all. Therefore, his argument went against him. The other thing that I would like to tell him is that instead of taking 45 minutes in making his speech, he ought to have said only one thing and we would have been convinced and voted wholeheartedly with him. He ought to have told us the budget of his paper mills and what

[Dr. Sir Ziauddin Ahmad.]

dividends they pay. He ought to have told us about the profit and loss accounts, not those which he presents to Mr. Chambers or to his shareholders, probably he is the cent. per cent. shareholder, but those which he himself examines after 12 o'clock in the midnight in his solitary chamber.

Babu Baijnath Bajoria: May I correct my Honourable friend? I said that my family was closely connected with the paper mills, but not with their balance-sheets, because the Managing Agents of the Titaghur Paper Mills are Messrs. F. W. Heilgers and Company and the paper mill which my family has erected and of which we are proud is the Star Paper Mill, which has only recently commenced production.

Dr. Sir Ziauddin Ahmad: I would like to know, whichever that company may be, how much they have already got in the Reserve Fund, how much they have got in the depreciation fund, what is the value of the stock and the property, and what dividends they declare. If these facts are placed before us, I think we will be in a better position to judge whether that particular industry does or does not need protection.

Babu Baijnath Bajoria: If my Honourable friend will invest some money in this industry, I will give him all the particulars.

Dr. Sir Ziauddin Ahmad: I have no money to invest.

Now, coming to the Tariff Board report, I have been pressing during the last ten years that the reports of the Tariff Board should be published as soon as they have been handed over to the Government. The Government should not sit tight on these reports and place them before us just at the time when they bring the Bills before us. In previous years also, we had the same experience. The Bill was before us, but the Tariff Board report was not there. Fortunately this time at 3 o'clock in the morning a peon woke us up and delivered to us these three important documents dealing with three different subjects. I have always insisted that these reports ought to be published as soon as they are presented to the Government and they ought not to be treated as confidential.

There are two points on which I have always stood very strongly. Firstly, publicity is the only safeguard of all their troubles and difficulties and, secondly, the early publication of the Tariff Board reports. If you place the Tariff Board's report before the Assembly and allow it to be publicly discussed, then and then alone you will be in a position to form an independent opinion. The other point on which I have laid great stress is the examiners. In France, they have got a definite rule that after the answer books have been marked, they are kept in a public place and everybody is at liberty to examine the answer books and the marks allotted to each question. Here unfortunately they are always kept confidential and the examiners can do whatever they like and nobody can criticise them. The same is the case with our Tariff Board reports: nobody is to criticise them.

I will now come to one or two problems relating to the general question which were also referred to by my friend, Mr. Satyamurti. I said the other day that the whole policy of taxation of the Government of India is very antiquated and requires serious consideration. It is as old as the knowledge of surgery in the Unani system of medicine, and I said the other

day that it was based on the anatomical dissection of one monkey, and whatever knowledge was gained by the operation of one monkey is still continued in this system. Similarly, in the case of the taxation policy, the whole of the knowledge is based on the Fiscal Commission's report. A good deal has already been done in the field of taxation and the map of Europe has been changed and the fiscal policies of all the countries have been altered, and the monetary policy of this country is not the same as it was in 1922, and yet they are still sticking to the policy maintained by the Fiscal Commission. I think the time is now ripe when we ought to revise the entire policy of taxation and really say good-bye to the methods which they had been adopting so far.

Now, one of the points which are mentioned by the Fiscal Commission with regard to protection policy is that we should have ample material. The second thing is that the industry should have a good home market, and the third thing is that it should ultimately be able to stand on its own legs. The fourth thing which I should like to add and which is not there is that whatever protection is given to the industry it is in the shape of loan. Ultimately, those industries ought to be able to pay back to the consumers what they have paid for them in the shape of higher prices. The Fiscal Commission has also discussed about the personnel of the Board. About the personnel, the Fiscal Commission report makes definite mention about it, and, as far as Government are concerned, I do not see any reason for opposing it. The report says:

"The Members of the United States Tariff Commission appear to be men of wide general attainments. The first Chairman was the distinguished economist, Pro. Taussig. The present Chairman is also a well known Professor of Political Economy. The other Members appear to be for the most part men who have distinguished themselves in law or in politics."

Ultimately the Fiscal Commission recognised the principle "that the best men available are to be engaged, selection depending rather on general qualification than on specialised or expert knowledge". It is essential that all the members should be men of ability, of integrity and of impartiality and other desirable qualifications are a knowledge of economics and a practical acquaintance with business affairs. Therefore, they explicitly say that it is not necessary that the members of the Tariff Board should be experts in that particular industry. In fact, not to be an expert is considered a qualification, so that they can bring forward a scientific and unbiased mind on the entire problem. An expert in a particular subject always looks upon a problem with a prejudiced mind which unfortunately was not pointed out by the Fiscal Commission.

There is another point which I want to say, that is, once protection is given, there is no guarantee and there is no method by means of which they can check whether the protection is paying or is not paying its way. We have repeatedly said on the floor of the House and my Honourable friend, Mr. Joshi, also repeated it several times that once protection is given to any particular industry, we ought to watch how this protection actually works, whether the industry is paying fat dividends to the shareholders, or whether the selling price is not much more than what was promised at the time of protection, and so on. This is a defect in the programme of the Government of India which is very desirable to be filled up. They ought to set up some machinery, either in the shape of a permanent tariff board or in the shape of a particular department by means of which they could get reports from all the factories dealing with protected

[Dr. Sir Ziauddin Ahmad.]

industries and they should be able to say what is the difference between the promised fair selling price and the actual selling price, month by month and year after year. The Government should also be authorised to modify the quantum of protection either by increasing or decreasing it. This power is there, but the information and the mode of enquiry are both absent. It is very desirable that this defect ought to be supplied as soon as possible, because, when we go on taxing consumers by levying special protective duty, it is very desirable that the interests of the consumers should also be protected and the public should know year after year what has been the effect of this special protection and for how long the protection would be needed.

There is one other point which is ignored by the Tariff Board, and it is the question of cottage industries.

Mr. President (The Honourable Sir Abdur Rahim): The House is not now discussing cottage industries. The whole tariff field is not now under discussion.

Dr. Sir Ziauddin Ahmad: Next, I wish to refer to magnesium chloride. The particular Board is already there. Their business is simply to determine the quantum of protection. The protection must be given, otherwise they would not have been appointed at all. They are only required to determine the quantum of protection. I will quote here chapter and verse from this very report in support of my contention. They simply calculate what are the expenses,—depreciation so much, reserve fund so much, interest charges so much, working expenses so much, profit and loss so much, managing agents so much, selling price equals so much, other things so much and, at the end, they say so much protection. In order to determine the quantum of protection, they take up the figures during the last five years, they do not take up the price prevalent at the time of writing the report and thus they arrive at the difference. This is a fundamental defect in the findings of the Tariff Board Report. I will take up the report on magnesium chloride and prove what I say in respect of this matter. The only argument which they have brought forward in support of protection is given on page 2 of the report. My Honourable friend, Babu Baijnath Bajoria, will take notice of this “that no opposition to the continuance of the protection of the industry has, in fact, been raised from any quarter.” That is the only argument in favour of protection, that it has not been opposed. Unfortunately the persons who use magnesium chloride are themselves thieves. It is the textile mills people that use this magnesium chloride and you do not expect them to oppose protection, when they themselves are getting protection for their mills. This peculiar argument that there is no opposition to the grant of protection to magnesium chloride is itself sufficient to condemn the whole Tariff Board Report. On this one particular issue the whole report can be condemned.

The next thing is about the Pioneer Magnesia Works which they want to protect and which is a very important factory. But we do not know the profit and loss account of this company which is necessary in order to determine whether protection is needed or not. In order to decide that, we must have a balance-sheet and see that in spite of all economies the company has not been making profits and, therefore, requires protection.

But the Tariff Board never attempted to find that out. Then, it is also interesting to see the way in which protection has been given. In January, 1929, they were first given 15 per cent. *ad valorem*, i.e., seven annas per cwt. which was quite reasonable. Then, came the first folly of the Government of India in 1931 by which they raised the duty by 25 per cent. all round, and so this seven annas was raised to eight annas and nine pies. Then, came the second folly of Government in 1934 when they gave temporary shelter to particular articles and gave them *ad hoc* protection without reference to any Tariff Board and the price was increased to Rs. 1-5-0, i.e., 26 per cent. *ad valorem*. When the price was thus raised by these follies of Government, not a voice was raised by this particular industry. They were really fortunate and were in the good books of the Government of India and got this increase.

Now, I have a few criticisms to offer on the calculations which have been made on page 6 of the report. First, the interest on working capital has been calculated at five per cent. which seems to be too high in these days, because the money is sure to be realised, and the bank rate being hardly two per cent. I think $3\frac{1}{2}$ per cent. is enough in this case. Then commission on gross profits to the managing agents is another five per cent. We have already condemned the managing agency system, but here we find them again drawing five per cent. on the gross profits, not on the net profits. Then, the sale expenses account for another five per cent. As regards this, of course people buying from abroad have their selling expenses too. Therefore, I think this also is very undesirable. Then, on page 11, they also said:

“For landing charges and cost of transport to mills in Bombay the Company has claimed 5 annas a cwt. These charges seem high. We propose to allow 4 annas a cwt.”

This is an important point which will come up for discussion not only on this Bill, but on other protection Bills also. When you compare the fair selling price and determine the claim to protection, you determine the *c.i.f.* price and the cost of production and take the difference. At what particular place do you take up the fair selling price, at the factories or at a particular place? India is a very big country, and if you take the freight at a particular station, you will never come to any conclusion. Why do you take the freight to Bombay and not to Cawnpore which is equally important? Therefore, it is wrong to take the freight from the factories to any selling market. You ought to compare the *c.i.f.* prices of the imported article and the prices at the factory. Then, the question of freight is not to be considered, because the freights cancel each other. If you consider the price of any article which is produced at Cawnpore, then the *c.i.f.* price will have to be modified considerably by adding the freight from Calcutta to Cawnpore, while the freight of the articles made in this country will not be very high. Therefore, this method of calculation adopted by the Tariff Board here is fundamentally wrong. They ought to compare only the fair selling prices at the factories with the *c.i.f.*, prices in that particular locality. The question of freight does not come into consideration, because you will have to determine at what particular place you are going to take the article and that you can never decide, because the place may be anything. So I think this method of calculation is absolutely wrong.

[Dr. Sir Ziauddin Ahmad.]

The next point of my criticism is on page 13 of this book where they give the selling price in 1937 as Rs. 3, in 1936 as Rs. 1-14-0, in 1935 as Rs. 1-8-0 and in 1934 as Rs. 3. Out of these prices, they take the lowest, i.e., Rs. 1-8-0 which was in February, 1935. This method also, I think, is very wrong. The *c.i.f.* price should be taken at the time the report is written and not of four years ago. The Tariff Board in this case took the prices of the last five or six years and they took the lowest price of Rs. 1-8-0 in 1935 as their basis of calculation. So, on the expenditure side, they have added enormous sums of money which they had no right to do. In *c.i.f.* price, they took the lowest figure and their figure can surely be challenged as incorrect. If this report were presented before us for general discussion and not in connection with a Bill, I would have moved for its being thrown out.

My next point is that magnesium chloride does not need protection; in fact, excise ought to be levied on it. This article is made out of what has been left after the manufacture of salt. We know there is an excise duty on salt, and on whatever is left there should be an excise duty and not a protective duty.

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

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 5th April, 1939.