

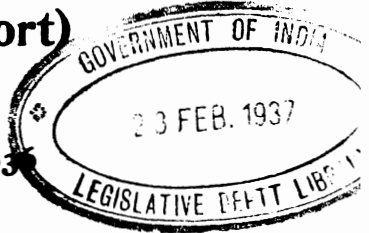
25th September 1936

THE

LEGISLATIVE ASSEMBLY DEBATES

(Official Report)

Volume VII, 1936



(15th September to 28th September, 1936)

FOURTH SESSION

OF THE

FIFTH LEGISLATIVE ASSEMBLY, 1936



NEW DELHI
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1937.

Legislative Assembly.

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

Deputy President :

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

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MR. ABDUL MATIN CHAUDHURY, M.L.A.

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MAULVI SYED MURTUZA SAHIB BAHADUR, M.L.A.

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

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LEGISLATIVE ASSEMBLY.

Friday, 25th September, 1936.

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

MEMBER SWORN.

Mr. William Walker Nind, C.I.E., M.L.A. (Government of India : Nominated Official).

QUESTIONS AND ANSWERS.

EXTENSION OF THE CHILD MARRIAGE RESTRAINT ACT TO CANTONMENT AREAS.

617. *Mr. M. Asaf Ali : Will Government be pleased to state what steps have been taken since answering my last question on the subject to extend the Child Marriage Restraint Act (Sarda Act) to cantonment areas ?

Sir Aubrey Metcalfe : Sir, I would refer the Honourable Member to the reply given on the 20th March, 1936, to question No. 1372. The position has not undergone any change since that answer was given.

Mr. M. Asaf Ali : May I know, Sir, what particular difficulty are Government experiencing in applying this Act to cantonment areas ?

Sir Aubrey Metcalfe : The Honourable Member is presumably referring to cantonment areas in Central India. The difficulties are the same as were stated before, namely, that there is no popular demand for such action, whereas petitions against the application of the Act have been received from several quarters.

Mr. M. Asaf Ali : Is it suggested, Sir, that the Child Marriage Restraint Act is to be extended only to areas where there is a demand for it ?

Sir Aubrey Metcalfe : The position is not the same in the administered areas in Indian States as in other cantonments or places in British India.

INDIANISATION AND ECONOMY IN THE INDIAN NATIONAL AIRWAYS COMPANY.

618. *Mr. M. Asaf Ali : (a) Will Government be pleased to state whether at the time of granting the subsidy to the Indian National Airways this year, the attention of the latter was drawn to the fact that

(1843)

- (i) bulk of the highly paid staff of the Company was non-Indian, and
 (ii) their over-head expenditure was excessive ?

(b) Are Government aware of any economies effected by the Company, or any appreciable Indianization of the highly paid technical and administrative staff of the Company ?

The Honourable Sir Frank Noyce : (a) Government closely examined the Company's organisation before deciding to grant financial assistance and were satisfied

- (i) that the non-Indian staff employed was necessary for the proper management and operation of the service ; and
 (ii) that certain branches of their activities, though desirable from the point of view of aviation development, had no claim to assistance from public funds in circumstances then existing.

(b) Economies have been effected by cutting down activities and services which were not commercially successful. An appreciable number of the more highly paid posts are at present filled by Indians. The Company also give facilities for training to Indians which was one of the important considerations which weighed with Government in deciding to give them financial assistance.

Mr. M. Asaf Ali : Is it not a fact, Sir, that the economies to which the Honourable Member is referring now had already been effected before this subsidy was granted ? At any rate, we were given to understand in the Standing Finance Committee that it was so ?

The Honourable Sir Frank Noyce : Not entirely, Sir. Certain activities had been closed down even before financial assistance was given, and certain other activities have been closed down, I think, since financial assistance was granted.

Mr. M. Asaf Ali : Will it be possible to specify the particular activities which have been cut down since the grant of this subsidy ?

The Honourable Sir Frank Noyce : I should require notice.

Mr. M. Asaf Ali : I am afraid, Sir, I cannot give longer notice than this. Here is a question which was tabled, I think, about two or three months ago.....

Mr. President (The Honourable Sir Abdur Rahim) : If you want to know what particular activities have been curtailed, you should give notice.

Mr. M. Asaf Ali : I ask definitely here in part (b) : " Are Government aware of any economies effected by the company, etc." Now, the Government say they have effected certain economies. I think, Sir, I am entitled to ask what economies have been effected ?

The Honourable Sir Frank Noyce : I have given my friend that reply. I was under the impression that what he is now asking was what economies were effected before financial assistance was given and what economies were subsequently effected. If he wants a statement of some of the economies effected, I can give it. The Calcutta-Dacca service has been closed down, the Rangoon Flying School has been closed down.....

Mr. M. Asaf Ali : They were both closed down before the subsidy was granted.

The Honourable Sir Frank Noyce : The Honourable Member has not asked in this question the specific question what economies were effected before financial assistance was given by Government and what economies were effected afterwards ; if he had asked that, I would have given him a reply. I can only give him a statement of the position generally.

Mr. S. Satyamurti : May I know if the Government have made a condition before the subsidy was granted, that the non-Indian staff should train the Indian staff to take their place at the earliest possible moment ?

The Honourable Sir Frank Noyce : I am not sure that they made a definite condition, in regard to the training of Indians, but as I have said, the Company has given facilities for such training, and that was one of the important considerations which weighed with the Government in deciding to give them financial assistance.

Mr. S. Satyamurti : How many Indians are being trained now by these non-Indians ; and in what capacities ?

The Honourable Sir Frank Noyce : Eight ground engineers.

Mr. S. Satyamurti : May I know if in any other capacity any Indian is being trained ?

The Honourable Sir Frank Noyce : I do not know, but I can tell my friend that there are eight Indians holding higher paid posts in this company's organization, of whom one is Chief Traffic Officer for Delhi-Calcutta, one is a pilot, four are ground engineers, and two are traffic assistants.

Mr. S. Satyamurti : How many are non-Indians ?

The Honourable Sir Frank Noyce : I am not quite sure, I think either 12 or 13.

Mr. S. Satyamurti : May I know if Government have any programme of Indianising this service, and if they have directed the company that that programme should be carried out ?

The Honourable Sir Frank Noyce : The whole future of the company is still uncertain. The financial assistance that has been given will last only till the end of the current year, and the arrangement after that has not yet been decided.

Mr. M. Asaf Ali : With reference to part (3), is it not a fact that all the various persons named by the Honourable Member were already there before the subsidy was granted ? I should like to know how many have been added since then ?

The Honourable Sir Frank Noyce : I have told my friend that I must ask for notice.

Mr. S. Satyamurti : Will Government make it a condition that every non-Indian employed there should train an Indian to take his place at the earliest possible moment ?

The Honourable Sir Frank Noyce : That, in any case, is a hypothetical question, but, as I have said, Sir, the company are already giving full facilities for training Indians. Whether they should give additional facilities will be a matter for consideration when the question of giving further financial assistance comes up for consideration.

Mr. S. Satyamurti : I am asking whether Government will make it a condition precedent, before granting any further subsidy to this company, that it must be their primary concern to train Indians and to Indianise the service at the earliest possible moment ?

The Honourable Sir Frank Noyce : I cannot say at this stage what conditions will be made or indeed whether any conditions will be made until the question of the grant of further financial assistance comes up for consideration. All I can assure the House is that the question of affording ample facilities for training Indians will be borne most carefully in mind.

Mr. T. S. Avinashilingam Chettiar : In view of the fact that this grant was only intended for one year,—at any rate we were specifically given to understand in the Finance Committee that it was to be for only a year, do Government propose to re-examine the question of giving a further subsidy ?

The Honourable Sir Frank Noyce : I was under the impression that the grant had only been given for the current financial year. It may be that, but my Honourable friend behind me says that he thinks it is up to the end of December of next year. In any case the question of further financial assistance beyond that which has already been sanctioned will come up for consideration shortly.

Mr. M. Asaf Ali : May I just know whether the Honourable Member is aware of the fact that in the Standing Finance Committee we were definitely given to understand that this subsidy was intended only for the current financial year and no more subsidies would be granted ? It was a definite promise.

The Honourable Sir James Grigg : That is going much too far. My impression is—I may be wrong—that it was a grant for one year and there was absolutely no commitment for the following year. But just as there was no commitment in favour, so there was no commitment against. That is my impression, but I have not verified it. But I am absolutely certain that there was no commitment in either direction for the following year.

Mr. T. S. Avinashilingam Chettiar : In view of the experience of these six months, do Government feel justified in giving this grant ?

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

The Honourable Sir James Grigg : May I add by way of emphasis, that I am absolutely certain that there was no commitment for the following year against a subsidy ?

Mr. S. Satyamurti : Or for it ?

The Honourable Sir James Grigg : That is my impression.

MEASURES TO COMBAT UNEMPLOYMENT.

619. *Mr. M. Asaf Ali : (a) Are Government aware that by far the most urgent need in respect of unemployment is a comprehensive survey of the entire problem, and immediate adoption of measures of relief ?

(b) What steps have Government so far taken, or propose to take to meet this need ?

(c) Are Government prepared to consider the advisability of undertaking the publication of a compendium of rules of admission and prospectuses of the various technical, industrial, military, aircraft, naval, mercantile marine, agricultural and such other recognised training centres as may provide openings to those who are looking for careers ?

The Honourable Sir Frank Noyce : (a) and (b). I am not so confident as the Honourable Member that a comprehensive survey is by far the most urgent need. The problem has been surveyed by a number of committees, one of which is, I believe, still in being, and while further knowledge is always an advantage, it seems probable that the main facts are fairly adequately known. As regards measures of relief, I would refer the Honourable Member to the reply I gave to Mr. T. S. Avinashilingam Chettiar's starred question No. 24 on the 31st August.

(c) No, such action would not help to reduce unemployment.

Mr. M. Ananthasayanam Ayyangar : Have any arrangements been made so far to collect statistics of educated unemployed ?

The Honourable Sir Frank Noyce : I have explained the position in regard to statistics more than once in answering questions on this subject.

Mr. T. S. Avinashilingam Chettiar : May I know whether they have finished consideration of the Sapru Committee's Report ?

The Honourable Sir Frank Noyce : No, Sir.

Mr. N. M. Joshi : May I ask what is the committee referred to by the Honourable Member which he said is still in being ?

The Honourable Sir Frank Noyce : The Committee appointed by the Government of Bihar.

Mr. M. Asaf Ali : With reference to part (c) of the question, may I know what are the difficulties in issuing a cheap guide for the students ?

The Honourable Sir Frank Noyce : For one thing, I do not think it would be cheap : there is a multiplicity of institutions of different kinds. Another point is that it would rapidly become out of date. In any case I would remind the House that not only is unemployment primarily a provincial subject at present, but from the 1st April next it will become a transferred subject. This suggestion is one that could and should be carried out by Local Governments, if they consider it desirable. It is not a matter for the Government of India.

Mr. N. M. Joshi : May I ask whether the Government of India are aware that the unemployment among the educated people cannot be relieved unless the unemployment among the industrial workers is removed ?

The Honourable Sir Frank Noyce : That is asking me for an expression of opinion.

Prof. N. G. Ranga : Have Government considered the possibility of providing unemployment for easily 2 millions of this middle class educated unemployed if compulsory primary or elementary education is established in this country ?

The Honourable Sir Frank Noyce : My Honourable friends on the opposite benches have from time to time pressed on the Government the necessity of obtaining statistics of unemployment. My Honourable friend, Prof. Ranga, seems to have access to statistics which are not available to me.

Mr. S. Satyamurti : May I know if Government have definitely given up the idea of an all-India comprehensive survey of the problem of unemployment ?

The Honourable Sir Frank Noyce : I do not know if Government have ever given up the idea. I do not think that they have ever entertained it.

Mr. S. Satyamurti : May I know if Government will ever entertain the idea ?

The Honourable Sir Frank Noyce : I have explained the position....

The Honourable Sir James Grigg : No.

Mr. S. Satyamurti : I want an answer from the Industries Member : I must really protest against the Finance Member's shouts when other Members are answering : it is most annoying, and besides it puts off the Members giving a proper answer : they dare not give a proper answer.

The Honourable Sir Frank Noyce : I am quite prepared to answer. I have explained the reasons why Government do not propose to undertake any comprehensive survey ; and I have nothing to add to the replies to parts (a) and (b) of Mr. Asaf Ali's question.

Mr. N. M. Joshi : May I ask whether the Government of India have come to any decision as regards the devising of machinery for the collection of statistics ?

The Honourable Sir Frank Noyce : I have answered several questions on that already. I must really refer my Honourable friend to those answers : I can repeat them, but they were given quite recently.

Mr. N. M. Joshi : No, not recently.

The Honourable Sir Frank Noyce : During the course of this Session on several occasions.

INDIA'S INDUSTRIAL POSSIBILITIES.

620. ***Mr. M. Asaf Ali :** Have Government taken any steps to collect and tabulate the date of India's industrial possibilities, since the publication of the Indian Industrial Commission's Report (1916-18) with a view to launching a cottage industry or small-scale manufacture campaign ? If so, how many schemes have they examined and published for the assistance of those who swell the ranks of the unemployed ?

The Honourable Sir Frank Noyce : As the Honourable Member is possibly aware, the development of industries is a transferred provincial subject, and it would be quite impossible for me to give in answer to a question any adequate summary of the numerous and extensive measures taken by different Governments to develop cottage industries since the publication of the Industrial Commission's Report. But the Honourable Member will find a considerable amount of information on this subject for the years 1920—28 in a publication entitled "The State and Industry", which is in the Library of the House, and the Government of India hope to publish very shortly another review giving similar particulars for the years 1928—35.

Mr. M. Asaf Ali : May I just know whether industries were a transferred subject in 1916 and 1918 or even in 1919, because the Honourable Member's reply refers to industries being a transferred subject all the time. What have Government done since then ?

The Honourable Sir Frank Noyce : I have said that the Government of India hope to publish very shortly another review giving the particulars in regard to what Government have done to develop industries since the publication of the report of 1928. I should have thought that Government might have been given a little credit for the trouble they have taken to compile that report ; but apparently my Honourable friend is still not satisfied.

Mr. S. Satyamurti : In view of the well-known difference of opinion among Members of the Government on the question of giving protection to large scale industries, will Government examine the question of encouraging the growth of cottage and small scale industries and of launching a campaign in this regard ?

The Honourable Sir Frank Noyce : The question is always under the consideration of Government ; and I have explained from time to time in reply to questions in this House what Government have done in regard to it.

Mr. S. Satyamurti : Have Government considered that the central problem of poverty in this country can be solved only by the development of cottage industries, that is to say, by providing occupation for millions of people, who have no occupation in their villages and homes for the best part of the year ?

Mr. President (The Honourable Sir Abdur Rahim) : These are matters of opinion, the Honourable Member is entitled to have his own opinion on the point.

Mr. S. Satyamurti : My opinion does not count : their opinion counts.

Mr. President (The Honourable Sir Abdur Rahim) : They are not bound to express an opinion.

Mr. S. Satyamurti : I am not asking for an expression of their opinion. I am asking whether they have considered the question of launching a campaign for the growth and encouragement of cottage and small scale industries, and the answer is that it is a provincial transferred subject. I am now asking whether, in view of their commitments in the matter in the past, they have considered the central prob-

lem of poverty in this country which can be tackled only if they launch a campaign for the development of cottage industries.

Mr. President (The Honourable Sir Abdur Rahim) : I think it is a very comprehensive subject and it cannot be dealt with in supplementary questions and answers. Now, he can only answer yes or no.

Mr. S. Satyamurti : May I have an answer ?

The Honourable Sir Frank Noyce : All I can say is that I understood that you, Sir, do not consider an answer necessary.

RESTRAINT AND EXTERNMENT ORDERS ON SHRIMATI SATYAVATI OF DELHI AND RATAN PARKASH GUPTA.

621. ***Mr. M. Asaf Ali** : Will Government please state the detailed grounds for serving (a) Shrimati Satyavati of Delhi with a restraint order, and (b) Ratan Parkash Gupta with an order of externment ?

The Honourable Sir Henry Craik : (a) and (b). Both the persons named have for some time past endeavoured to stir up trouble and by their revolutionary sympathies and associations have exerted a dangerous influence on revolutionary and terrorist suspects in Delhi. Orders under the provisions of section 3 of the Punjab Criminal Law Amendment Act (as applied to Delhi) have therefore been served on them, as the Chief Commissioner was satisfied that such orders were necessary in the interest of the public safety and peace.

Mr. M. Asaf Ali : May I know what are the sources of Government's information with regard to the revolutionary sympathies and associations of these two individuals ?

The Honourable Sir Henry Craik : I do not think I can disclose the sources.

Mr. M. Asaf Ali : I do not want you to disclose anything which is secret, but I should like to know if you are in possession of any information which may be traced by any public pronouncement of any of these persons ?

The Honourable Sir Henry Craik : That I cannot say, Sir.

Mr. Mohan Lal Saksena : May I know if it is the policy of the Government to apply the provisions of the Public Safety Act and the Criminal Law Amendment Act against labour workers ?

The Honourable Sir Henry Craik : That depends upon what methods they employ in furtherance of their object.

Pandit Lakshmi Kanta Maitra : May I know if at the time of serving these orders on these two persons there were any terroristic activities in the province of the Punjab ?

An Honourable Member : This was in Delhi.

Pandit Lakshmi Kanta Maitra : They were proceeded against under the Punjab Criminal Law Amendment Act. May I know whether there were any terroristic activities at the time either in Delhi or in the Punjab ?

The Honourable Sir Henry Craik : The Act applies to Delhi. The Honourable Member wants to know whether there were any terroristic activities in Delhi or the Punjab ?

Pandit Lakshmi Kanta Maitra : Yes. If that is so, I should like to know what exactly they were in Delhi in particular.

Mr. M. Asaf Ali : I should like to know what evidence of terroristic activities in Delhi was in the possession of the Government at the time they took this action.

The Honourable Sir Henry Craik : I have informed the Honourable Member that the information in possession of Government is secret and I am not prepared to disclose it.

Mr. M. Asaf Ali : Surely we can have some little idea of.....

Mr. President (The Honourable Sir Abdur Rahim) : There is no use of asking that question. The Honourable Member has given his answer.

Mr. M. Asaf Ali : True, but I am simply wanting to know if it is possible for the Honourable Member to tell us of any particular incident.....

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member has said that it is not possible to disclose the information.

Mr. M. Asaf Ali : He said that about secret information, but I am talking about incidents that can be enumerated.....

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member has already replied.

Mr. S. Satyamurti : Was there any overt act of terrorism in Delhi at or about the time the orders were passed or since then ?

Mr. M. Asaf Ali : Not since 1929.

The Honourable Sir Henry Craik : One of these orders was served on July 19th and the other, I think, in August this year, but I have not got the exact date.

Mr. S. Satyamurti : I am asking whether any overt act of terrorism was committed at the time the orders were passed or since then.

The Honourable Sir Henry Craik : Since those dates, so far as I am aware, there have been no overt acts.

INTERCEPTION OF CORRESPONDENCE AND TAPPING OF TELEPHONES OF POLITICAL WORKERS OF DELHI.

622. ***Mr. M. Asaf Ali :** (a) Will Government please state the number, if not also the names, of the political workers of Delhi, whose correspondence is censured in transit and whose telephones are tapped by the C. I. D. ?

(b) Will Government please state under what legal provisions *general* as contra-distinguished from specific interception of correspondence and tapping of telephone is permissible ?

The Honourable Sir Henry Craik : (a) No.

(b) Under the provisions of the Post Office Act and the Telegraph Act.

Mr. M. Asaf Ali : Part (b) of my question was, "Will Government please state under what legal provisions *general* as contra-distinguished from specific interception of correspondence and tapping of telephone is permissible?" So far as I understand, the Telegraph Act does not provide for any general orders for interception of correspondence or any other kind of interference with communications. It only provides for specific cases.

The Honourable Sir Henry Craik : The Honourable Member has raised a legal point on which I do not think it is my duty to pronounce an opinion, but personally I am quite satisfied that the Acts to which I have referred give the Government full authority to take the action which they have taken.

Mr. M. Asaf Ali : Is there any authority in the Indian Telegraph Act for the tapping of telephones?

The Honourable Sir Henry Craik : Yes, section 5 (1) (b).

INTERCEPTION OF CORRESPONDENCE AND TAPPING OF TELEPHONES OF POLITICAL WORKERS OF DELHI.

623. **Mr. M. Asaf Ali :** (a) Are Government aware that the C. I. D. enjoy unauthorised facilities with regard to tapping of letters and telephones by private arrangement with postal employees in Delhi?

(b) Are Government prepared to issue strict instructions to the Departments concerned to prevent unauthorised interference with the ordinary civil rights of citizenship?

The Honourable Sir Henry Craik : (a) No.

(b) Government do not consider it necessary to issue any instructions on the lines suggested by the Honourable Member.

Mr. Mohan Lal Saksena : May I know what authority decides whether the correspondence of a particular person is to be censored?

The Honourable Sir Henry Craik : The Governor General in Council, or a Local Government, or any officer specially authorised in this behalf by the Governor General in Council.

Mr. S. Satyamurti : May I know how orders are given for the tapping of telephones? Is it with regard to the telephones of A and B, or with regard to particular times or occasions, or is it that certain people's telephones are always tapped?

The Honourable Sir Henry Craik : I have stated on several occasions that I am not prepared to disclose any information about the working of the postal censorship. The same remark applies to the working of telegraph censorship.

Mr. M. Asaf Ali : With reference to his reply to part (a) of the question, will the Honourable Member kindly institute an enquiry into this matter if I tell him now on the floor of the House that to my knowledge the C. I. D. have had unauthorised facilities of interfering with the correspondence of various people, and among them was Dr. Ansari, letters to whom written by me were actually interfered with by somebody? Will he make enquiries into this matter?

The Honourable Sir Henry Craik : No.

Mr. M. Asaf Ali : Now that I am giving you the information on the floor of the House, will you not make enquiries ?

The Honourable Sir Henry Craik : Because I do not accept the Honourable Member's statement as correct.

Mr. M. Asaf Ali : Do you think I am lying ?

Mr. President (The Honourable Sir Abdur Rahim) : Order, order.

Mr. M. Asaf Ali : I am giving definite information. I should like to know what exactly the Honourable Member means by saying that he does not accept my statement as correct. I am making a statement which is perfectly true and you have no business to say you do not accept my statement.

The Honourable Sir Henry Craik : You have no business to address me like that,—address the Chair.

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member (Mr. Asaf Ali) has no business to put questions in that form or to speak in that way.

Mr. M. Asaf Ali : I should like to know exactly what the Honourable Member means when he says he does not accept my statement as correct.

Mr. President (The Honourable Sir Abdur Rahim) : He has given his answer. Next question.

Mr. S. Satyamurti : On a point of order, Sir. When an Honourable Member makes a statement on the floor of the House he accepts responsibility for the truth of the same.....

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member (Home Member) does not necessarily mean that he is not speaking the truth, but he says he is not prepared to accept that statement....

The Honourable Sir Henry Craik : I am perfectly prepared to explain if the Honourable Member desires an explanation. He asks, am I prepared to accept the statement that there has been unauthorised interception of certain correspondence ? I say I am not, because the Honourable Member cannot know what interception is authorised and what is not.

Mr. M. Asaf Ali : May I now tell the Honourable Member that I had it directly from the very sources which were tapping these letters, that they did tap my letters to Dr. Ansari while he was in Germany, and it is on the basis of that information that I am asking the Honourable the Home Member to make enquiries.

The Honourable Sir Nripendra Sircar : That does not show that it is unauthorised.

Mr. M. Asaf Ali : If he likes, I can give the names. Will he then make enquiries ?

The Honourable Sir Nripendra Sircar : May I point out that it is no use continually repeating that he has had it from a particular source ? What is authorised and what is unauthorised is not a question really for my Honourable friend unless he knows all the facts.

Mr. M. Asaf Ali : The facts are these. You yourself say that certain persons are authorised to tap certain letters.

An Honourable Member : Address the Chair.

Mr. M. Asaf Ali : In this particular instance this particular person was not authorised and yet in conspiracy with the postal authorities he did tap these letters.

The Honourable Sir Nripendra Sircar : Who is this person ?

Mr. M. Asaf Ali : I am prepared to give his name as soon as you want it.

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

INTERCEPTION OF CORRESPONDENCE OF CERTAIN CLASSES OF PERSONS.

624. ***Mr. M. Asaf Ali :** (a) Is it a fact that the correspondence of all or many of the persons belonging to openly constituted and conducted organisations which have for their objects the dissemination of advanced political and economic theories, such as socialism or communism, or such associations as the Progressive Writers' Association, is subjected to interception by the C. I. D. in Delhi ? If so, on what grounds ?

(b) If the reply to part (a) be in the negative, are Government prepared to make inquiries in this behalf ?

The Honourable Sir Henry Craik : As I have stated on several occasions in reply to previous questions Government are not prepared to give any information regarding postal censorship.

Mr. S. Satyamurti : Have any tests been laid down by Government, as to what kind of correspondence is to be interfered with, and what kind of telephones, or is it left to the police officers concerned to do just what they like ?

The Honourable Sir Henry Craik : The Honourable Member is trying to get me to give information which I said I am not prepared to give.

Mr. S. Satyamurti : What I want to know is whether there is any superior authority in the Government of India or somebody with some intelligence who lays down these tests, or is it left to ignorant policemen to interfere as they like ?

The Honourable Sir Henry Craik : It certainly is not left to an ignorant policeman.

Mr. S. Satyamurti : Does the Home Member himself attend to this ?

The Honourable Sir Henry Craik : I have said that the powers under the Act can be exercised by the Governor General in Council or the Local Government or any officer specially authorised by the Governor General in Council in this behalf.

Mr. S. Satyamurti : What is the lowest grade of officer, who is authorised to exercise these powers ?

The Honourable Sir Henry Craik : The Honourable Member is again trying to get information which I am not prepared to give.

Mr. S. Satyamurti : Not even the lowest grade of officers ?

Sir Cowasji Jehangir : May I ask the Honourable Member whether there are openly constituted and conducted organisations for the dissemination of communism ?

The Honourable Sir Henry Craik : There is a communist party of India which has been declared to be an unlawful association. To the best of my belief it is still in existence.

Mr. N. M. Joshi : May I ask whether under the Indian law preaching of communism is a crime ?

The Honourable Sir Henry Craik : If the Honourable Member means a theoretical advocacy of communism as a political theory, I do not think that by itself is a crime. It depends upon the way in which the argument is put forward.

Mr. Mohan Lal Saksena : May I know if these orders for interception of letters are periodically revised ?

The Honourable Sir Henry Craik : There again the Honourable Member is asking for information which I am not prepared to give.

Mr. M. Ananthasayanam Ayyangar : May I know how many Members on this side of the House have got the proud privilege of having their letters censored ?

The Honourable Sir Nripendra Sircar : You are quite harmless.

SEARCHES IN CONNECTION WITH POLITICAL SUSPECTS OR PROSCRIBED LITERATURE OR TERRORISTIC ACTIVITIES IN DELHI.

625. ***Mr. M. Asaf Ali :** (a) Will Government please state how many searches in connection with political suspects, or proscribed literature or terroristic activities have been carried out in the Delhi Province during the last two years ?

(b) In how many of these, incriminating matter was found ?

(c) In how many instances, did the alleged incriminating matter so obtained serve to secure convictions ?

The Honourable Sir Henry Craik : (a) No searches were made in connection with political suspects, eighteen searches were made in connection with proscribed literature. During investigations into 12 cases, 59 searches were made in connection with terrorist activities.

(b) 15.

(c) One. Other cases are, however, pending.

Pandit Lakshmi Kanta Maitra : What is the nature of the incriminating matter found ?

The Honourable Sir Henry Craik : I could not say off-hand. There were in all 15 cases.

Pandit Lakshmi Kanta Maitra : Were any arms or ammunition found ?

The Honourable Sir Henry Craik : I must ask for notice.

Mr. M. Asaf Ali : May I know if most of the incriminating matter found was nothing more than what is generally described as red posters ?

The Honourable Sir Henry Craik : I have not got that information here but I think on certain occasions in connection with certain searches something more dangerous than that was found.

**LANDING GROUNDS, AERODROMES AND RUNWAYS MADE AND AIR-PORTS
FITTED OUT FOR NIGHT FLYING.**

626. ***Mr. M. Asaf Ali :** (a) Will Government please state how many new landing grounds, aerodromes and runways have been made, and how many air-ports fitted out for night-flying, since the grants of 1935-36 and 1936-37 were sanctioned ?

(b) How many army landing grounds have been thrown open to civil aviation since my last question on this subject was answered ? If none, why not ?

The Honourable Sir Frank Noyce : (a) A statement is placed on the table showing the progress made with the Central Government programme for the provision of new landing grounds and runways, and the installation of night lighting equipment at aerodromes since the commencement of the financial year 1935-36.

(b) Since the Honourable Member's question last year, 20 Army landing grounds have been thrown open to civil aircraft subject to certain conditions. There are, in addition, 28 landing grounds in charge of the Royal Air Force which have always been open to civil aircraft.

Statement showing the progress made with the Central Government programme for the provision of new landing grounds and runways and the installation of night lighting equipment at aerodromes since the commencement of the financial year 1935-36.

1. *New Landing Grounds.*

Cuddapah	..	..	..	..	Completed.
Mughal Bhim	..	..	..	..	Work in progress.

2. *Improvement of landing ground surfaces.*

(a) Runways completed at Jacobabad, Delhi, Gaya, Akyab and Bassein.

(b) Improvements in progress at Chittagong, Dum Dum and Juhu.

3. *Night lighting installations at aerodromes.*

Delhi completed.

Work nearing completion at Karachi, Hyderabad, Uterlai, Allahabad, Cawnpore, Gaya, Calcutta, Akyab, Rangoon and Bombay.

Mr. M. Asaf Ali : What are the conditions under which these landing grounds are available for civil aviation ?

The Honourable Sir Frank Noyce : Those conditions are contained in the notice to airmen No. 44 of 1936, a copy of which I shall be very glad to pass on to my Honourable friend.

Mr. M. Asaf Ali : How many of the 92 lakhs or thereabouts have been utilised up till now ?

The Honourable Sir Frank Noyce : I must have notice of that question. That information is not asked for in the question.

Mr. Lalchand Navalrai : May I know from the Honourable Member if the Indian National Airways or any other company works night flying ?

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

MANUFACTURES OF AEROPLANES IN INDIA.

627. ***Mr. M. Asaf Ali :** Have Government investigated the possibilities of manufacturing aeroplanes in India ? If so, will they kindly publish the result of such investigation ?

The Honourable Sir Frank Noyce : The attention of the Honourable Member is invited to the replies given to parts (a), (c) and (d) of Mr. Satyamurti's starred question No. 131 in this House on the 5th September, 1935. The investigation referred to in the reply to part (d) of that question has disclosed the suitability of certain Indian timbers for use in the manufacture and repair of aircraft. Whether they can be supplied on a commercial scale is still in doubt but particulars of the timbers have been communicated to the De Havilland Aircraft Company, Limited, Karachi, and are being published for general information.

RECOMMENDATIONS OF THE ROYAL COMMISSION ON LABOUR PERTAINING TO RAILWAYS.

628. ***Mr. Mohan Lal Saksena :** (a) Will Government be pleased to lay on the table a statement giving full information regarding the action taken by them on the various recommendations of the Indian Labour Commission, pertaining to Railways ?

(b) Will Government state which of the recommendations they have finally decided not to accept ?

(c) Will Government state what action they have taken on recommendation number 48, regarding the substitution of departmental labour for contract labour ?

(d) Will Government lay on the table a statement giving in detail steps taken by them and Provincial Governments during the last four years for carrying out the recommendations of the Indian Labour Commission ?

(e) Will Government state what steps have been taken to give effect to recommendation number 212, regarding exploring methods for the alleviation of existing hardships arising from the need of provision for sickness ?

The Honourable Sir Frank Noyce : (a) to (e). The Honourable Member will find full details of the action taken both by Central and Provincial Governments and on Railways in respect of the Commission's recommendations in the annual reports which have been issued on this

subject. A copy of the Fourth Report, which is the latest Report available, was supplied to him in February last.

Prof. N. G. Ranga : With regard to part (b), will Government state whether there are any recommendations of the Labour Commission which they have finally decided not to adopt or accept ?

The Honourable Sir Frank Noyce : I would refer my Honourable friend to the report I have mentioned, which will give him full information on this subject. There are several hundred recommendations in the Report of the Labour Commission and it is quite impossible for me to state offhand which of them have been accepted by Government and which have not.

STRIKES IN FACTORIES.

629. ***Mr. Mohan Lal Saksena :** (a) Will Government state the total number of strikes that took place in factories throughout India during the last two years, and on how many occasions were the provisions of Trade Disputes Act taken advantage of by the parties ?

(b) Will Government state the reasons why the machinery provided by the Trade Disputes Act for resolving points of difference between employers and employees, was not frequently availed of ?

(c) Are Government prepared to consider the advisability of amending the Trade Disputes Act in such a manner that it may work more effectively ?

The Honourable Sir Frank Noyce : (a) and (b). The number of strikes in 1934 and 1935 were 159 and 145, respectively. Three applications were made during the period for invoking the settlement provisions of the Trade Disputes Act and of these two were rejected for non-compliance with the necessary conditions, while the third was made by a trade union which was subsequently declared illegal under the Criminal Law Amendment Act, 1908.

(c) I would refer the Honourable Member to the Trade Disputes (Amendment) Bill which was introduced in this House on the 31st August, 1936.

INDIANS OUTSIDE INDIA EXTERNEED OR NOT PERMITTED TO RETURN TO INDIA FOR POLITICAL REASONS.

630. ***Mr. Mohan Lal Saksena :** Will Government state the names of the Indians outside India who have been externed or are not permitted to return to India for political reasons ?

The Honourable Sir Henry Craik : I would invite the Honourable Member's attention to the reply given by me to Pandit Paliwal's question No. 370 on the 13th September, 1935, which states the position, except that Mr. Sailendra Nath Ghose has since applied for and Government have agreed to his being granted facilities to return.

PERSONS REFUSED PASSPORTS FOR GOING OUT OF INDIA.

631. ***Mr. Mohan Lal Saksena :** Will Government be pleased to state the names and addresses of the persons who were refused passports for going out of India during the last three years ?

The Honourable Sir Henry Craik : I would invite the Honourable Member's attention to the reply given by me to his question No. 821 on the 22nd April, 1936. The figure then given was for the two years 1934 and 1935. The figures for 1933 and the first seven months of the present year are, respectively, 62 and 34, so far as I am aware.

FINAL AUTHORITY IN THE MATTER OF GRANT OF PASSPORTS.

632. ***Mr. Mohan Lal Saksena :** Will Government state which is the final authority in the matter of grant of passports ?

The Honourable Sir Henry Craik : I would invite the Honourable Member's attention to the reply given by me on the 25th February last to his question No. 824.

TACKLING OF THE UNEMPLOYMENT PROBLEM.

633. ***Mr. Mohan Lal Saksena :** Have Government considered the recommendation of the Unemployment Committee Report, United Provinces ? If so, what action, if any, do they propose to take regarding the tackling of the unemployment problem in the country ?

The Honourable Sir Frank Noyce : The attention of the Honourable Member is invited to the reply given to Mr. T. S. Avinashilingam Chettiar's question No. 24 in the Legislative Assembly on the 31st August, 1936.

Mr. Mohan Lal Saksena : Has the attention of Government been drawn to the note by Mr. Gavin-Jones, a member of the United Provinces Unemployment Committee, who has said that the question is mainly for the Government of India to tackle and not for Provincial Governments ?

The Honourable Sir Frank Noyce : As regards Mr. Gavin-Jones's note, Sir, I would refer my Honourable friend to the speech made by the Honourable Mr. Clow in the Council of State during the debate on this subject. I cannot remember the date but if he will look up the discussion, he will find a full statement of the Government's attitude towards that matter.

FEE FOR CERTIFICATE OF POSTING.

634. ***Mr. Mohan Lal Saksena :** Is it a fact that the fee for certificate of posting is half an anna for every three articles or any less number ? If so, are Government prepared to consider the advisability of modifying the rules in this way that if the number of articles be one, the fee should be only one pice ?

The Honourable Sir Frank Noyce : The reply to the first part of the question is in the affirmative. As regards the second part, Government will consider the suggestion made by the Honourable Member.

NOMENCLATURE USED IN GOVERNMENT PUBLICATIONS IN REFERENCE TO INDIAN LANGUAGES.

635. ***Mr. Mohan Lal Saksena :** (a) Are Government aware that in paragraph 29 of the Posts and Telegraphs Pocket Guide the word ' vernacular ' has been used in reference to Indian languages ?

(b) Are Government prepared to expunge it and issue instructions that in future this nomenclature should not be used in Government publications in reference to Indian languages ?

The Honourable Sir Frank Noyce : (a) Yes.

(b) No.

Mr. S. Satyamurti : Sir, is it not a fact that " vernacular " means the tongue of the slave, and that being so, will Government consider the omission of this word from all Government publications, and use some more appropriate and dignified word in its place ?

The Honourable Sir Frank Noyce : Sir, if this word " vernacular " had the implications applied to it by my Honourable friend, I hardly think it would have been used in this House in a question by my Honourable friend, Mr. Amarendra Nath Chattopadhyaya, *viz.*, question No. 323 in which he asked :

" Will Government be pleased to state if newspapers, weeklies, and monthlies, in English and vernacular, are supplied to the political prisoners in the Andamans ?..... "

Of my Honourable friend's nationalistic attitude there can be no doubt, and if he is content with the word, I think, Sir, Government can well be.

Mr. S. Satyamurti : That is a sort of dialectical answer, Sir; will my friend consult a decent dictionary ? I say, Sir, that " vernacular " means the tongue of the slave. Will they call " English " a vernacular in their country. If so, I am willing that that word should be used here also. Thus, Scotch is not called a " vernacular ". (*A voice : " yes "*). It is not. I ask the Government to examine this question, *viz.*, that " vernacular " means the tongue of the slave. We know that we are slaves but why do you call us slaves ? (Laughter.)

The Honourable Sir Frank Noyce : Sir, the word " vernacular " has the sanction of usage, it is used by many universities, and when the universities decide to discontinue its use, then it will be time, I think, for Government to consider the point.

Mr. S. Satyamurti : Is the Honourable Member aware that the Madras University has discontinued the use of this word and in its place has substituted the words " Indian languages " ? Will Government consider this matter ? I want a specific answer.

The Honourable Sir Frank Noyce : That is surely not a matter for me but for my Honourable friend who represents the Department of Education, Health and Lands. This question refers to the use of the term in the Posts and Telegraphs Guide. As long as it is sanctioned by such authorities as universities, I see no reason why its use should be discontinued in that Guide.

Mr. S. Satyamurti : Sir, my friend, Sir Girja Shankar Bajpai, is an Indian and I would now ask him—can he or can he not get the Government to examine this question, *viz.*, that our language ought not to be called a " vernacular ", which means the language of the slave ?

Sir Girja Shankar Bajpai : Sir, speaking from the purely educational point of view, what I would like my Honourable friend to

consider is the possibility of the Inter-University Board making a suggestion about the usage or non-usage of the word "vernacular", then the Government will consider that.

Mr. S. Satyamurti : Will Government put it before the Inter-University Board's next meeting ?

Sir Girja Shankar Bajpai : Sir, that Board is not connected with Government. It is a non-official body ; the Central Advisory Board is an official body.

Mr. S. Satyamurti : Will Government take up this question, consulting any authorities which they wish to consult ?

Sir Girja Shankar Bajpai : Sir, my friend says that the Madras University have expunged the use of the word "vernacular" from their statutes. I submit, if other universities feel like that, or if all the others do not feel like it, since the Madras University is represented on the Inter-University Board, the representatives of that University feel like that, they can put the matter before the Board and it will be for that Board to put forward a suggestion to that effect.

Mr. S. Satyamurti : May I take it that Government refuse to do anything in this matter, until the Inter-University Board have considered this matter ?

Sir Girja Shankar Bajpai : Sir, my Honourable friend himself said that he is limiting his suggestion to the educational field but what I submit for his consideration is that it is for the Inter-University Board to explore the facts. I am speaking for education.

Mr. S. Satyamurti : Very well, let us now go back to my friend Sir Frank Noyce. I am asking the Honourable Member why he won't with his usual courtesy examine this matter at least ? I am not asking for a final answer.

The Honourable Sir Frank Noyce : My answer is that I see no reason to reconsider this until the matter is reconsidered for all Government publications.

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

PROVISION OF EXTRA POSTMEN FOR LEAVE ARRANGEMENTS.

636. ***Mr. Mohan Lal Saksena** : (a) Will Government state what percentage of extra hands is provided amongst postmen in lower subordinate ranks to make provision for leave arrangements ?

(b) Is it a fact that the percentage is not equal to that provided for higher services, and consequently the postmen and subordinate employees are not able fully to avail of their casual and privilege leave because of the shortage of extra hands ? If so, are Government prepared to consider the advisability of increasing the number ?

The Honourable Sir Frank Noyce : (a) None.

(b) It is not a fact that postmen and subordinate employees are not able fully to avail themselves of privilege leave because of the non-existence of a leave reserve. The employment of substitutes in privilege

leave vacancies of postmen and subordinate employees is permitted. Substitutes for postmen are readily found from amongst qualified members of the lower grade staff and substitutes for lower grade staff are found without difficulty from outsiders. There is, therefore, no need to create a leave reserve for postmen and subordinate ranks. As regards casual leave, the Honourable Member is referred to the reply given to part (b) of his starred question No. 1230 on the 16th March, 1936.

Mr. Mohan Lal Saksena : Will Government state the percentage of postmen and lower subordinate employees who avail themselves of privilege leave every year ?

The Honourable Sir Frank Noyce : No, Sir. It would be an impossible task to collect information of that character.

Mr. Mohan Lal Saksena : Will the Honourable Member collect the figures only for one province and let us know ?

The Honourable Sir Frank Noyce : No, Sir. It would be impossible to judge general conditions from the statistics of one province.

Mr. Mohan Lal Saksena : He may take any province he likes ?

The Honourable Sir Frank Noyce : No, Sir.

Prof. N. G. Ranga : Is it not a fact that quite a good number of these postmen and men of the lower subordinate ranks are not allowed to avail themselves of this leave for want of a leave reserve ?

The Honourable Sir Frank Noyce : I have said, in reply to the question, that it is not a fact that postmen and other subordinate employees are not able to avail themselves of privilege leave because of the non-existence of a leave reserve, and as regards casual leave I would refer my Honourable friend to the reply I have already given.

Mr. N. M. Joshi : In view of the answer of the Honourable Member that postmen and some other classes of postal employees are not able to avail themselves of leave for want of a leave reserve, will he consider the proposal of establishing some leave reserve ?

The Honourable Sir Frank Noyce : No, Sir. I have explained the reasons why Government do not propose to establish a leave reserve.

Mr. N. M. Joshi : May I know what are the reasons for not establishing a leave reserve ? I am sorry I did not hear the Honourable Member's reply ?

The Honourable Sir Frank Noyce : I explained that there is no need to establish a leave reserve because it is easy to find substitutes in the vacancies of subordinate employees. Substitutes for postmen are readily found from amongst qualified members of the lower grade staff and substitutes for lower grade staff are found without difficulty from outsiders. There is, therefore, no need to create a leave reserve for postmen and subordinate ranks.

Mr. Mohan Lal Saksena : Is it a fact that resolutions have been passed by the various Provincial Conferences of postmen and subordinate

employees every year in which demand has been made for having a leave reserve ?

The Honourable Sir Frank Noyce : I know that a large number of resolutions have been passed by conferences of postal employees and I have no doubt that this point also is included in them, though I cannot say so definitely off-hand.

Mr. Mohan Lal Saksena : May I know whether this demand has been repeated from year to year by every Provincial Conference of the postmen and subordinate employees ?

The Honourable Sir Frank Noyce : Very probably, and, if any reply has been given to it, it is the one which I have given in this House.

Prof. N. G. Ranga : May I know why no action has been taken upon the representations made by the postmen and subordinate employees repeatedly from year to year from several provinces ?

The Honourable Sir Frank Noyce : Action has been repeatedly taken on their representations. They are dealt with on their merits.

Mr. N. M. Joshi : In view of the fact that the Honourable Member himself admits that the postmen are not able to avail themselves of the leave.....

The Honourable Sir Frank Noyce : I admitted nothing of the kind. I said that it is not a fact that postmen and subordinate employees are not able fully to avail themselves of privilege leave because of the non-existence of a leave reserve. As regards casual leave, I have already given the answer. I must protest against attributing to me what I have not said.

Mr. N. M. Joshi : I am sorry that the Honourable Member should protest against a thing which he himself did not say loudly.

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

VILLAGE POST OFFICES OPENED DURING THE LAST TWO YEARS.

637. ***Mr. Mohan Lal Saksena :** Will Government state provincewise the number of new village post offices opened during the last two years ?

The Honourable Sir Frank Noyce : The information is being collected and will be placed on the table of the House in due course.

POSTAL RATES FOR INLAND LETTERS AND POSTCARDS IN CERTAIN COUNTRIES.

638. ***Mr. Mohan Lal Saksena :** Will Government lay on the table a comparative statement of postal rates for inland letters and cards enforced in the years 1914, 1919, 1925, 1930, and 1935 in the United States of America, Japan, England, France, South Africa and Portuguese India ?

The Honourable Sir Frank Noyce : A statement containing such information as is available is placed on the table of the House.

Statement.

Name of country.	Postage rate (In-land) in force in the year 1914.		Postage rate (In-land) in force in the year 1919.		Postage rate (In-land) in force in the year 1925.		Postage rate (In-land) in force in the year 1930.		Postage rate (In-land) in force in the year 1936.		Remarks.
	Letters (initial rate).	Postcards (Single).	Letters (Initial rate).	Postcards (Single).	Letters (Initial rate).	Postcards (Single).	Letters (Initial rate).	Postcards (Single).	Letters (Initial rate).	Postcards (Single).	
England	1d.	½d.	1½d.	1d.	1½d.	1d.	1½d.	1d.	1½d.	1d.	
United States of America.									3 cents.	1 cent	
Japan									3 sen.	1½ sen.	
France									50 cen- times.	40 cen- times.	
South Africa									1d.	½d.	
Portuguese India ..									6 reis.	3 reis.	

Not Available.

CIRCULAR REGARDING LETTERS BEARING PHOTOS OF LEADERS AND SLOGANS OF BOYCOTT.

639. ***Mr. Mohan Lal Saksena** : Have Government issued any circular regarding letters bearing photos of leaders and slogans of boycott ? If so, will Government lay on the table a copy of the same and also state the reasons that have impelled the postal department to take this action ?

The Honourable Sir Frank Noyce : Yes. A copy of the Director-General's (Post Office) special Circular No. 25, dated the 16th August, 1930, which was republished in Director-General's (Post Office) Circular No. 12, dated the 28th May, 1936, is laid on the table of the House. The Circular was issued in pursuance of rule 46 of the Indian Post Office Rules. Instructions have since been issued in Director-General's Special Circular No. 25, dated the 31st July, 1936, that no action should be taken for the present in pursuance of clause (ii) of paragraph 2 of the special Circular No. 25 of the 16th March, 1930.

INDIAN POSTS AND TELEGRAPHS DEPARTMENT.

(POST OFFICE.)

DIRECTOR-GENERAL'S CIRCULAR No. 12.

Thursday, 28th May, 1936.

I.—PROHIBITED ARTICLES.

General File.

All Post Office officials should note that the orders contained in this office Special Circular (Post Office) No. 25, dated the 16th August, 1930, are still in force and should continue to be followed. The Circular is reproduced below for ready reference.

2. Part I of this office Circular No. 6, dated the 23rd April 1931, in which it was intimated that articles merely bearing the portrait of Mr. Gandhi should no longer be treated as prohibited, is cancelled. Such articles should also be forwarded to the Dead Letter Office and treated in the manner laid down in paragraph 3 of the Circular reproduced below.

3. A postal notice on the subject is under issue.

DIRECTOR-GENERAL'S (POST OFFICE) SPECIAL CIRCULAR No. 25, DATED THE 16TH AUGUST, 1930.

It has been ruled by the Government of India under section 21 of the Indian Post Office Act that no article should be transmitted through the post which has on its outside or on its cover, any matter which is prejudicial to the maintenance of law and order or which is in furtherance of a movement which is prejudicial to the maintenance of law and order, or any matter which tends directly to cause loss or injury to any community or class of persons. The object of this rule is to enable Government to suppress the use of such labels as the "Boycott British Goods" labels which are being pasted on postal articles by the senders in some parts of this country, and to enable similar objectionable practices to be checked.

2. Accordingly, it is hereby ordered that no article (including postcards, letters, etc.), should be transmitted by post bearing thereon labels or stamped impressions, photographs, or writings—

(i) conveying any exhortation to "Boycott British Goods" or any other class of goods, or to carry out any other form of boycott,

- (ii) embodying portraits of Mr. Gandhi or any other prominent leader of the civil disobedience movement, or containing the words "Swatantra Bharat" (*separate India*), or similar words in furtherance of the civil disobedience movement,
- (iii) containing other matter manifestly and specifically intended to further the civil disobedience movement.

3. Any such article found in the course of transmission by post should be forwarded to the Dead Letter Office and the Dead

* Rules 210 to 214 of the Indian Letter Office should deal with it in the manner provided in section 39 of the Post Office Act and rules* 194 to 198 of the Indian Post Office Rules as if it were an undelivered postal article which cannot be disposed of under section 37 or 38 of the Act.

4. It should, however, be carefully noted that these orders do not apply to articles bearing "slogans" of an unobjectionable character such as—

"Buy Swadeshi Goods" or

"Support home industries,"

or such impressions as trade marks, or devices adopted for business purposes on their stationery by commercial or social associations and the like.

5. Any case in which doubt may exist as to the application of the orders should be reported immediately to the Head of the Circle concerned who will, if necessary, refer it to the Director-General by telegraph for orders.

6. A postal notice on the subject is under issue.

G. V. BEWOOR,

Director-General of Posts and Telegraphs.

NON-SUPPLY OF THE COPIES OF ACTS AND OF BUDGETS, AS FINALLY PASSED BY THE LEGISLATIVE ASSEMBLY TO THE MEMBERS OF THE ASSEMBLY.

640. ***Mr. Mohan Lal Saksena** : Are Government aware that copies of the Acts of legislature and of budgets, as passed finally by the Legislative Assembly, are not supplied to the Members of the Assembly ? If so, are Government prepared to issue instructions that in future they should be sent to the Members ?

The Honourable Sir James Grigg : Acts of the Indian Legislature and the Budget of the Government of India, as finally passed, are published in the Gazette of India, copies of which are supplied to the Members of the House.

Mr. Mohan Lal Saksena : Is the Honourable Member aware that the copies of the Gazettes are not handy and it will lead to great convenience if they were supplied separately free to Members ?

The Honourable Sir James Grigg : That is the answer I gave. The Acts and the Budget are printed in the Gazette and Members get copies of the Gazette.

Prof. N. G. Ranga : In view of the fact that Government publish the Budget in a separate book form, will Government consider the advisability of supplying copies of that particular publication to every Member of the House ?

The Honourable Sir James Grigg : No, Sir. I think the information is already supplied to Members in a form which is quite convenient.

Mr. Mohan Lal Saksena : May I know if it is a fact that the copies published in the Gazette are not handy and will Government consider the advisability of supplying the Acts as passed and the Budget as finally published ?

Mr. President (The Honourable Sir Abdur Rahim) : The information is already supplied in a convenient form, and that has always been the practice. Next question.

FIXATION OF THE PRICES OF GOVERNMENT PUBLICATIONS.

641. ***Mr. Mohan Lal Saksena :** (a) Will Government state how the prices of Government publications are fixed ?

(b) Are Government aware that a large number of copies of these publications remain unsold because of high prices ?

The Honourable Sir Frank Noyce : (a) The sale price of Government of India publications is ordinarily determined by adding 50 per cent. to the actual cost of production to cover sale commission, advertising, cataloguing, etc., and dividing the amount by the total number of copies printed.

(b) Government have no reason to believe that this is so.

Prof. N. G. Ranga : Is it not a fact that a large number of the copies of many of the publications of the Government of India are left unsold and are later on offered for free distribution amongst the Members of the Assembly if they were to ask for them or they are destroyed ?

The Honourable Sir Frank Noyce : The facts may be that as stated by my Honourable friend, surplus copies have been printed in the past which are now available free of cost to such Honourable Members as ask for them, but I have in recent years gone carefully into the matter and have taken steps to see that the number of surplus copies is reduced to the lowest possible figure. I do not think there is much reason for complaint now.

Mr. Mohan Lal Saksena : Will Government consider the advisability of reducing the price of the Legislative Assembly proceedings from five annas to two annas per copy ?

The Honourable Sir Frank Noyce : I have already explained to my Honourable friend the method by which prices are fixed. That method is presumably applied in the case of the price of the Legislative Assembly proceedings and there seems no reason why it should be altered.

Mr. Mohan Lal Saksena : Is it a fact that the copies of the Legislative Council proceedings in the United Provinces are sold at two annas per copy ?

The Honourable Sir Frank Noyce : I imagine that the proceedings of the Provincial Councils are not as voluminous as those of the Assembly.

Mr. Mohan Lal Saksena : Will the Honourable Member satisfy himself that every copy of the Legislative Council Proceedings of the United Provinces is as voluminous as those published here ?

(No answer.)

Prof. N. G. Ranga : Have Government considered the possibility of the copies of the proceedings of this House becoming more popular if the price was reduced ? They will then sell on a larger scale and thus make up the loss that will have to be initially incurred in lowering the price.

The Honourable Sir Frank Noyce : All relevant points have been taken into consideration in fixing the price.

Mr. N. M. Joshi : May I ask you, Sir, as President of the Assembly, whether the Members of the Legislature are not entitled to get the final copies of the Acts which the Legislature itself passed ? I would like you, as the President of this Assembly, to give us a ruling.

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

GOLD EXPORTED FROM INDIA SINCE ENGLAND WENT OFF THE GOLD STANDARD.

642. ***Mr. Mohan Lal Saksena** : (a) What is the total weight of gold exported from India since England went off the gold standard ?

(b) Have Government consulted the Indian businessmen and financial experts in the matter of the export of gold ? If so, with what result ?

(c) Are Government prepared to consider the advisability of appointing a small committee of disinterested financial experts to enquire and give opinion on this question ?

The Honourable Sir James Grigg : (a) About 34½ million ounces.

(b) There has been no need, for a variety of views have been volunteered.

(c) No.

Mr. S. Satyamurti : With regard to the answer to part (c) of the question, may I know why the Government do not consider the advisability of appointing a small committee ?

The Honourable Sir James Grigg : I have answered that at great length in various debates of the House and I think it is much too long a subject to be dealt with in reply to a supplementary question.

Mr. S. Satyamurti : Since the export of gold is still going on, will Government consider the advisability of appointing a committee of financial experts ?

The Honourable Sir James Grigg : The process that the Honourable Member desires to see is going on of itself. Since India has developed a much bigger export surplus of merchandise, the export of gold is falling off which is what any ordinary person would have expected.

Mr. Mohan Lal Saksena : May I ask whether the Finance Member had a talk with Mr. Darling, who was here yesterday, about the effect of the policy of unrestricted export of gold on the villagers ?

The Honourable Sir James Grigg : I have had from time to time, but I do not quite see the relevancy of this question.

THE INDIAN COMPANIES (AMENDMENT) BILL—*contd.*

Mr. President (The Honourable Sir Abdur Rahim) : The House will
12 Noon. now resume consideration of the Bill further to amend
the Indian Companies Act, 1913, for certain purposes,
as reported by the Select Committee.

Sir Leslie Hudson (Bombay : European) : Sir, when I was speaking day before yesterday, I was endeavouring to point out to the House some of the advantages which the managing agency system has extended to industry in India. I quoted one or two cases and I will just quote one more fact, which I think will justify the statement that the vast majority of the prosperous concerns in India today have been built up under the managing agency system. The present paid-up ordinary and deferred capital of the 31 companies in one particular Managing Agency group totals nearly Rs. 324 lakhs and the market value of the shares is now over 7½ crores of rupees. During the 15 years, 1921 to 1935, tax free dividends totalling over Rs. 12½ crores were paid on the ordinary and deferred shares of these companies, the average dividend on the equity capital of these companies being over 25 per cent. per annum during these 15 years. Now, a record of this nature cannot be achieved without sacrifices, and the managing agents have from time to time foregone considerable amounts in order to assist companies which have got into difficult positions, a policy encouraged by long term managing agency agreements which give the managing agents a fair chance to recoup their losses by subsequent participation in the profits of the company after its return to prosperity. There is one very significant fact in connection with this particular managing agency, which commenced business in the 19th century, and that is that no creditor of any company under their management has ever lost money through his debts from the company as whenever a company has been forced into liquidation the managing agents have invariably honoured the debts of the company.

I hope I have said sufficient to justify not only the existence of managing agents but to prove to the House as clearly as I can, that managing agents would never have taken the financial risks I have mentioned if they had not been certain that their long period agreements would not be interfered with, and that there would be no arbitrary time limit imposed which might prevent them making good their outlays and recouping their losses. It might be argued that what I have said applies just as much to agreements which may be entered into hereafter as it does to existing agreements. That is true, and we have not overlooked the point, and that is why, as I say, we see a danger in sub-section (1), but that is no reason why, if we can prevent it, we should allow the danger to spread to existing agreements.

The managing agency system is a characteristic feature of the trade and industry of this country. I think it is safe to say that the majority of the cotton, jute and other mills, the tea gardens and the coal mines in India are under the control, management and supervision of managing agencies, and I do not suppose that Honourable Members who have taken the trouble to seek impartial information on this matter will dispute the conclusion of the Indian Industrial Commission in its report published at the end of the war when they said that "the managing agency system has a far greater list of successes to its credit than can be shown by ordinary company management under individual managing directors". The

[Sir Leslie Hudson.]

Industrial Commission went on to say "we are much impressed by the strong evidence of the high financial prestige possessed by the better class of agency firms, and of the readiness of the investing public to follow their lead, a position only reached, we recognise, by a policy extending over many years, of efficient management, cautious finance, and watchful attention to the interests of their clients' enterprises". That is the case we bring before the House today; that is the justification for our argument that the arbitrary date of expiry which this provision of the Bill seeks to stamp on the face of all existing agreements is unwarranted and unwise. We do not think that the interests of Indian trade and industry will be served by the uncertainty which may arise from the enactment of sub-section (2); we think that by driving an arbitrary coach and four through the sanctity of contracts it establishes a dangerous precedent which this House ought to resist, and we are of opinion that the meritorious services rendered by existing managing agents, some of which I have briefly described, justify the policy of non-interference with existing contracts. We have the honest doubt that the principle which it is sought to lay down in sub-section (2) is not only questionable but also objectionable. We recommend our amendment in all seriousness, and we ask the House to pause and consider carefully before it lends itself to the enactment of these provisions. If the doubt which we feel is shared by other Honourable Members, let them support the amendment and expunge these provisions from the Bill. Sir, I move.

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

"That in clause 42 of the Bill, sub-sections (2), (3) and (4) of the proposed section 87A be omitted and sub-section (5) be re-numbered as sub-section (2)."

Mr. Akhil Chandra Datta (Chittagong and Rajshahi Divisions : Non-Muhammadan Rural) : Sir, I rise to oppose the amendment moved by my Honourable friend, Sir Leslie Hudson. I certainly agree with Sir Leslie Hudson that the system of managing agency has rendered yeoman's service to the cause of industry in this country, but at the same time, it cannot be disputed that there are inherent defects in the system. Some of them have been described categorically by Mr. Susil Chandra Sen in his report and I do not wish to take up the time of the House now by repeating all he has said in his report. The defects have also been carefully summarised by the Tariff Board in their report regarding the grant of protection to cotton textile industry. Therefore, Sir, the position is this. Although the system is necessary, it is an evil,—it is a necessary evil. I think it is almost admitted that this is an evil which in the fulness of time must be eradicated. The whole question is whether that time has come or not. This amendment does not raise the question of abolition. The question is, is this a system which we can afford to perpetuate? That is the whole question. The inevitable result of the acceptance of this amendment will be to make a very large number of existing companies perpetual and non-changeable. In view of the articles of these companies, and terms of agreement it will be impossible to oust the managing agents of these companies without the provision which the proposed amendment seeks to delete. Now, Sir, the whole scheme of this Bill is that we do not want either to perpetuate the system nor do we want to abolish the system altogether now and today. In the language of the Honourable the Law

Member, we want to strike a golden mean, the golden mean so far as the existing companies are concerned, is to give them further lease for a few years more so that, a time might come when our industry will be able to do without the management and the financial assistance of the managing agents. Sir, I oppose the amendment.

The Honourable Sir Nripendra Sircar (Law Member) : Sir, I oppose the amendment moved by my Honourable friend, Sir Leslie Hudson. As there are more than 140 amendments,—though I am sure many of them will not be moved,—I think it will be for the convenience of the House if very briefly within 10 or 12 minutes I explain to the House the attitude which Government will take as regards the different classes of amendments. That, I submit, will be much shorter than making a speech every time an amendment is put up.

As regards this particular amendment which has been moved by my Honourable friend Sir Leslie Hudson I agree that it is expropriatory. I further agree, Sir, that the right of compensation which has been given by the Select Committee is of no substantial value to them. I entirely agree with him and at the proper time I shall have to request my Honourable friend to consider whether this boon is worth accepting which brings nothing to them but may possibly be an embarrassment to the companies because the ordinary shareholders, not having studied carefully the judgments of Lord Justice James and so on, may think that getting rid of a managing agent may involve them in litigation and heavy expenses. Now, Sir, in my previous speech I explained at great length, and I do not desire to cover the same ground, why while we realise that this is expropriatory, yet what other considerations have led us to move for these restrictive measures. As I said, I do not desire to cover the same ground, but I will remind my Honourable friend of what I said on the last occasion :

“ I have got to explain how long the nursing has got to be done by managing agents and what is the amount of risk that they take with a view to show that to proceed further than what we have done in the Bill will be an expropriation which will not be justified by the necessities of the case, and it will not be fair to existing managing agents in spite of the abuses which in some cases have been proved.”

Sir, to the best of our judgment we have arrived at what we do consider to be a golden mean, although we are well aware that the existing managing agents are entirely dissatisfied with these conditions, nor is it strange that there should be difference of opinion in a matter of this kind. Sir, I do not think it will be wasting the time of the House if I very shortly recapitulate to them what are the provisions which have been suggested in the Bill,—some of them already passed,—which hit the existing managing agents and their contracts. I will proceed very rapidly. By clause 7 we have compulsorily included certain articles, and provisions to the contrary in the articles of companies and managing agents' agreements which gave higher rights to managing agents are now abolished. This clause is retrospective in the sense that it will prevail over provisions in contracts applicable to existing managing agents. Then, by clause 14 of the Bill managing agents will have to disclose at the statutory meeting the names of persons constituting the managing agency and changes in the personnel which again is retrospective as the existing managing agents are under no such liability under the articles or under the managing agency agreements. Then, Sir, by clause 29 we have made them liable to a fine, a

[Sir Nripendra Sircar.]

very liberal amount of fine, for default in holding a general meeting. And by clause 30 the disclosure of certain matters in the statutory report has been made compulsory, for instance, arrears of call due from the managing agent, commission or brokerage paid or to be paid to the managing agents in connection with the issue or sale of shares. By the same clause the managing agent becomes liable to a fine of Rs. 500 if any of the numerous requirements laid down by clause 30 are not complied with. Then we come to clause 42 relating to managing agents, part of which is under discussion now. Under the proposed section 87-A (2), the existing managing agents' contract is terminated, after whatever may be the period provided for him by his agreement. In 87-B the transfer of office by all managing agents including existing managing agents is prohibited, the statute overriding the rights of managing agents under existing agreements. Under the same section a charge created by him or an assignment made by him of his remuneration is declared void as against the company; and under section 87-B if an existing managing agent wants any term of his agreement to be varied, he has got to go before the shareholders. Under section 87-D loans to managing agents are prohibited. This applies to existing managing agents and overrides any provision to the contrary in their agreements. Under 87-G the managing agent is disabled from exercising his powers, if any, to issue debentures as also to invest funds of the company except with the authority of the directors and within limits fixed by them.

Then, under 87-H, speaking colloquially, the managing agent is prohibited for engaging in a competing business with the company on his own account. By clause 46 the existing section relating to disclosure of contracts to shareholders which is now applicable to directors is extended to managing agents. By clause 48 the requirements of the prospectus have been extended to disclosures therein of names and descriptions of the managing agents or proposed managing agents, provisions in the articles or in any contract as to the appointment of managing agents, and the terms of contract of payment to managing agents. Under clause 59 the managing agent is made liable to a fine for default in making over to receivers goods or property or invoices, etc., belonging to the company. By clause 64 if proper books of account are not kept the managing agent becomes liable to imprisonment and fine; and by clause 67, if a partner of the managing agency's firm is nominated director of any other company, the remuneration received by him in connection with the management of that other company has got to be included. And then by clause 103 the managing agent becomes liable to imprisonment and fine if he makes default in any of the numerous matters covered by clauses (a) to (p) of that clause. I hope, Sir, at no distant time some of these provisions will be availed of.

Sir H. P. Mody (Bombay Millowners' Association : Indian Commerce) : You have killed the managing agent, body and soul. Have you left anything ?

The Honourable Sir Nripendra Sircar : I do not admit, he has any soul but we are after his body.

By clause 111 no banking company can have managing agents at the expiration of two years, and by clause 113 a managing agent wrongfully retaining possession of the property of the company becomes liable to a small fine of Rs. 5,000. Then, Sir, I will not go into form F, where there

are separate heads for calls due from managing agents, advances to managing agents, and so on.

Now, Sir, I think to deal with the matter fairly one should take the cumulative effect of all these 21 or 22 items and not pick out a piece and say, "After all it is a mere pin-prick". But some of them are pin-pricks and some are wounds inflicted with heavier instruments, and we have to take the sum total of the loss of blood caused to the managing agent. (Laughter.)

Sir, on the question as to whether these restrictions are just or whether they err on the side of leniency or on the side of stringency, there are bound to be differences of opinion. I am sure, my Honourable friend, Sir Homi Mody, will say that they have been very unjustly dealt with, they have been almost strangled, and if they survive it is because like the proverbial cat they have nine lives. Sir, applying these principles, the attitude of the Government will be, if I may indicate it very shortly, that they will oppose amendments if any for increasing the period of twenty years,—there are three or four amendments in that direction, I think,—it will also oppose amendments if any for any substantial relaxation of the restrictions which have been placed on managing agents, old and new. It will also resist amendments like Nos. 42 and 43 moved by my friend Pandit Govind Ballabh Pant.

Pandit Govind Ballabh Pant (Rohilkund and Kumaon Divisions : Non-Muhammadan Rural) : They are very mild.

The Honourable Sir Nripendra Sircar : They may be mild, but as I have said, there has been a considerable loss of blood, and I don't want to extract more. As I was saying, Government will most strenuously resist amendments which will compel existing managing agents, in spite of provisions to the contrary in the agents' agreement, to come up before shareholders before the expiry of the period of 20 years. It will equally oppose amendments like the one proposed by my friend, Mr. Husenbhai Laljee, in connection with the existing managing agents who are remunerated on the basis of production by way of commission. The reasons for this I have indicated already, and if necessary and if the occasion arises, I shall supplement my reasons in my speech at the proper time.

Sir, as regards transfer or assignment of office, while we may be quite prepared to consider any attempt to define these words, we shall certainly strongly oppose any attempt to make the transfer of the agency permissible without the approval of the shareholders, and for reasons already stated, and after careful consideration since the publication of the Report of the Select Committee, Government will not be able to support the claim for compensation if the general sense of the House is against such a provision. Sir, the amendment is directed to lay down that in case of new managing agents, there will be no minimum remuneration and that they will devote time and spend money on the principle of no pains no pay. This will also be opposed. And lastly, Sir, amendments preventing managing agents from directly or indirectly concerning themselves with any contract or arrangement with the company will be resisted on grounds analogous to those which were urged in connection with directors' contracts. I do not claim, Sir, that I have dealt exhaustively with all classes of amendments, but I think I have given a fairly accurate idea of what our attitude is, and following those principles, Sir, I oppose my Honourable friend's amendment.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions : Muhammadan Rural) : Sir, I have got a series of amendments under this clause in my name, and if you will permit me I should like to make only one speech in regard to all the amendments standing in my name.....

Mr. President (The Honourable Sir Abdur Rahim) : The amendment now under consideration is that of Sir Leslie Hudson.

Dr. Ziauddin Ahmad : Very well, Sir, I shall speak on that. I like to point out that the managing agency system has not proved very beneficial. Secondly, I should like to prove that shareholders are unnecessarily exploited. These are the only two points I should like to make. In the first place I should like to say that the proposed measures are certainly improvements on the existing state of affairs, but from my point of view they do not go far enough ; I would very much like them to go a little further than what is provided for in this Bill. We have sold gold worth 280 crores since England went off gold standard in 1931. Now, a very small portion of it has been invested in Government securities. The Rupee loan in 1932 was 607 crores ; today it is again 607 crores. We have increased investment in Savings Bank and Cash Certificates by about 50 crores only. Therefore, a large amount of this money was available, and it could have been very easily invested in industries had the condition of the industries been satisfactory. My friend the Mover has really blamed the investors that a large number of them have not come forward, compared with the managing agents, to invest their money in these companies. The money is there, but the people have no confidence in most of these companies. People say it is not distress gold. If it is not so, then it must be invested somewhere, and I would like to ask the Honourable the Finance Member whether he could explain in the course of the discussion here.....

Babu Baijnath Bajoria (Marwari Association : Indian Commerce) : Is the export of gold also due to the fault of managing agents ?

Dr Ziauddin Ahmad : No, no, you please wait till I finish my sentence. I would ask the Finance Member to answer this point : Where have all these 280 crores gone to ? That money has not been invested in Government paper ; it is not distress gold, according to the opinion of the Finance Member. That means it must have been invested somewhere. Now, where is it invested ? I am sure any substantial portion of that amount has not been invested in Indian companies on account of certain inherent defects ; really we cannot see where all this money has been invested. My point is, the condition of the industries should be improved so that the people may have enough confidence in them and they may invest their money. The sale of gold is still continued, and we must provide for some avenue for investment. Sir, I would like to describe the condition of the managing agents.....

“ The managing agency system is peculiar to India. It is defined by John Bull as a contrivance invented by the capitalists of India for the prevention of dividends. For the successful working of the system, it is necessary that a managing agent should manage several companies dealing with the same and allied business. He is thus the managing agent or in close partnership with several companies.....

Several Honourable Members : What is that book ? Where are you reading from ?

Dr. Ziauddin Ahmad : It is called Sillatain :

“ By this arrangement he can bring to liquidation any company whose shareholders are of an inconvenient temper. It gives him special opportunities for exploitation. In many cases the power of the managing agent has tended to increase with the passage of time, and often a firm that started only with managing a company has ended by selling raw materials to it, contracting for stores and distributing its products and even effecting its insurances. With a multitude of interests to look after, managing agents have been naturally conservative and reluctant to embark on new ventures, and owing to the multiplicity of interests and the location of their offices at great distances from their concerns, they have never been able to be in close touch with their companies as is desirable. In some cases the managing agents get a percentage on the quantity manufactured by the mill. In order to get higher discounts, he encourages larger production for which there is no demand. The managing agent himself purchases the manufactured articles at uneconomic prices. The company loses in this manner, but the loss of the company is the gain of the managing agent. The method is primarily responsible for increase in the cost of production and inability of Indian industries to compete with foreign articles. A clever managing agent conceals his inefficiency. He carries on a propaganda in favour of the protection of industries, on which he lavishly spends money.

A clever managing agent rushes to the seat of the Government, where he licks the Commerce Member, bluffs the Finance Member, kicks the Home Member, humours the Law Member and ignores all the other Members, and he takes full advantage of the absence of co-ordination among those members.”

Mr. President (The Honourable Sir Abdur Rahim) : I suppose the Honourable Member is not going to read the whole book ?

Dr. Ziauddin Ahmad : No, just one relevant paragraph more, and I will finish.

Mr. President (The Honourable Sir Abdur Rahim) : He can only read a few extracts, but he cannot read any particular statement that might have appeared in any publication at any great length like that.....

Dr. Ziauddin Ahmad :

“ The tendency of the agency is to pass from father to son or to one other relative and to be regarded somewhat in the light of a family possession has greatly impaired efficiency of management and has left the concerns virtually at the mercy of agents. The managing agents are too powerful to be removed either by the Government or by opposition. A catastrophe alone can save the shareholders, the labourers and consumers from their iron grip.”

An Honourable Member : Who is the author of the book ?

Dr. Ziauddin Ahmad : Mulla du Piazza according to a well known legend :

“ It is the duty of the Government to create a situation by which investors will have confidence in our industries. That is really the principle on which I stand. We demand protection of industries by taxing the consumers : we force him to pay higher prices and for whose benefit ? Not for the benefit of the labourers, but for the benefit of the managing agents ; and to this I very strongly object. I have described so far the condition of the managing agents.....

The Honourable Sir Nripendra Sircar : Sir, I think the House ought to know—otherwise they may be frightened by the size of the book—that it is really the Government of India Gazette, but there are some typed pages he has put inside.

Sir Cowasji Jahangir (Bombay City : Non-Muhammadan Urban) : Why do you hide the book ? Bring it out.

An Honourable Member : Who is the author ?

Dr. Ziauddin Ahmad : A Member may call by whatever name he likes. It is Sillatain : and it contains all possible reflections. The Honourable Member's interruption is irrelevant :

"As regards the condition of the shareholders, I would like to describe it by a story. This story is not only true in this particular case, but it applies to a very large number of honest persons who want to invest their money. There was an honest gentleman who after 30 years' service retired with a bonus of Rs. 50,000. He settled down in a country place ; he attended church very regularly ; he attended the evening school and took his constitutional walk very regularly and he helped in every way the social life of the village. Suddenly, everybody noticed that he had absented himself from the church. He was not seen in the school nor he was found on his walk. There was a good deal of talk and the village parson said he would go and discuss the matter with him ; and he went to him and asked him what the matter was and whether he was suffering from communism. He said 'No, I am suffering from something much worse than communism.' Then the parson asked him 'Are you suffering from Bolshevism ?' He said 'No, I am suffering from something much worse than Bolshevism : I am suffering from the terrorism of a managing agency.' The parson then said 'I have heard of terrorism in Bengal : but I have never heard of terrorism of the managing agency.' Then the honest gentleman gave him Sillatain to read. His face became red with anger and afterwards the honest man described what happened. He said he saw a glowing prospectus of a company which promised a dividend of 10 per cent. : he invested Rs. 40,000 out of the Rs. 50,000 he had in this particular company and now he had heard that the whole thing had failed on account of the special contract which the managing agents had with that particular company....."

Sir Cowasji Jehangir : May I ask the Honourable Member whether this was another Dr. Ziauddin ?

The Honourable Sir Nripendra Sircar : And the same company ?

Dr. Ziauddin Ahmad : No : I suffered, but not so badly as this particular gentleman.....

Mr. Susil Chandra Sen (Government of India : Nominated Official) : Was it the same company in which Dr. Ziauddin Ahmad suffered ?

Dr. Ziauddin Ahmad : It is not correct to ask detailed questions in a story. It was the New National Mills in Ahmedabad where the managing agents cannot be removed except by his own voluntary resignation and nothing could remove them. It is all interlude. Coming back to the story, the parson prayed "Oh God, have mercy upon us. Pardon our sins. Protect every honest man from dishonest persons". Here this story ends. As I said, I have really two problems to discuss. One is how to keep the managing agents within their bounds and how to create confidence in the small investors so that they may be able to invest their money. We suggested several methods in the course of the discussion ; and all these methods have not been accepted by this House. We suggested that publicity should be given to every thing that is going on in the company. That was really a great check but this was not accepted by the House. Then we suggested that small investors should have some kind of representation in the company, proportional representation or by special statute.....

Mr. Akhil Chandra Datta : On a point of order, Sir, how is all this relevant to the amendment we are now discussing ?

Mr. President (The Honourable Sir Abdur Rahim) : I really think the Honourable Member ought to deal with the amendment that has been moved.

Dr. Ziauddin Ahmad : It is getting late for Friday prayers. I reserve the rest of my speech for other occasion. I oppose the amendment.

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

“ That in clause 42 of the Bill, sub-sections (2), (3) and (4) of the proposed section 87A be omitted and sub-section (5) be re-numbered as sub-section (2). ”

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim) : Today being Friday, the House is adjourned early and will meet at 2-15.

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

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

Mr. T. Chapman-Mortimer (Bengal : European) : Sir, I move :

“ That in clause 42 of the Bill, in sub-section (2) of the proposed section 87A, for the words ‘ shall not continue to hold office after the expiry of twenty years from the commencement of the said Act unless then re-appointed thereto or unless he has been re-appointed thereto before the expiry of the said twenty years ’ the words ‘ may, unless, he shall have been re-appointed after the commencement of the said Act, be removed from office by a special resolution of the company, after the expiration of twenty years from the commencement of the said Act ’ be substituted. ”

Sir, I fear that after I have opposed so many amendments put forward by some of my friends opposite, when I move an amendment of this kind which may perhaps not meet with the approval of the Honourable the Law Member, they must begin to look upon me as somewhat of a hoary defender of bad, wicked vested interests, like some big bad wolf in sheep's clothing. Sir, I listened with close attention to the words that fell from the lips of the Honourable the Law Member. He said that he had been faced with great difficulties—people on one side urged the complete abolition of the managing agent, and on the other they wanted very reactionary proposals to be put through, and that he had chosen what he believed to be a fair middle course. Sir, I think in every part of the House we are absolutely agreed that, throughout, in his conduct of this Bill, he has shown that he has endeavoured to secure fair play for all parties. Well, Sir, among other things, he referred to his own rather large knife and the tremendous loss of blood that the managing agents were losing in consequence. There is, in this clause 42 as it has emerged from the Select Committee, an instance of this pretty considerable liability, and I hope he may perhaps see fit to believe that our amendment is rather like a second operation which is sometimes necessary to cure the patient. Now, Sir, the importance of this amendment, as we understand the position, lies in two things. In the first place, we believe that without this amendment, the Bill as it stands, will give no chance to the shareholders to decide what they want done to the company at the end of the sentence to which they have been committed by the Honourable the Law Member. In the second place, and much more

[Mr. T. Chapman-Mortimer.]

important than that, is the effect which this clause of the Bill, if passed as it stands, will have upon the finance of companies in India and upon the money markets of this country.

Now, Sir, in regard to the first, I have not very much to say beyond this. I would urge upon Honourable Members opposite the view that it is an unreasonable thing, it seems to me, to say that shareholders should have no say whatsoever in the disposal of the managing agency arrangement, which will be the case if clause 42, 87A (2) of the Bill passes as it stands. In our view, the breaking up of a managing agency agreement or the termination of it is a matter that may be of very serious consequence to the company. At the very least, it is bound profoundly to influence the attitude of the managing agents towards that company and of the public towards that company, and, above all, of the banks towards that company in the years preceding the termination of the agreement. Now, Sir, it is the common practice on our side of India for managing agency agreements to be for fixed periods, and we ourselves have always held the view, that it is the most sane practice in regard to managing agency agreement. But we all know that in many other parts of India this is not the case, and when 20 years after the coming into force of this Act you are faced all over the country with the termination of managing agency agreements, I submit, Sir, that we shall probably find in this country that we are facing a minor, possibly a major, financial crisis,—certainly many of these companies will be facing a crisis. (*An Honourable Member* : "Oh.") I can tell my friend who just now said Oh that there are many companies that today would go into liquidation at once if the managing agent called in his loans. If you have a loan outstanding, and if you have not got sufficient control over the company by way of sufficiently a large block of shares of that company to ensure that you will be re-appointed at the end of 20 years you will naturally say to yourself—'I cannot go on allowing these loans to be outstanding'. The first thing you will therefore do is to see that you get all your money back from the company. When that happens, the company will have to do one of two things. It will either have to go to the banks, or it will have to sell up its assets and go into liquidation. In regard to the first, there are one or two considerations that I should like to place before you. Most of you probably know that in this country the usual practice is that when a company borrows from a bank, the managing agent has also to put his signature on the document.

Now, Sir, Honourable Members will probably have seen the book 'Industrial Organization in India', and if I may, I will just quote very briefly from it. They refer to the Imperial Bank of India Act of 1920 which "prohibits the Bank from discounting or advancing on the security of any negotiable instrument of any individual or firm, etc., etc. unless at least two persons or two firms unconnected with each other sign that document". Now, Sir, though in the case of the other banks that legal provision does not exist, the usual practice is for these banks to insist upon a second signature. Professor Lokanathan suggests that the reason for that is that because the managing agents finance the companies in the first instance, the banks say 'You must give another signature', and that the

easiest way is to get one who is on the board of one of their companies to sign the document. With all deference to the learned professor, I should like to point out that that is not the reason at all for this method of borrowing. Those Members of this House who have any knowledge of the financing of the commerce of the British Empire of a large part of the world commerce through the City of London will know that the way in which loans are negotiated, and above all, bills and so on, is to insist upon two signatures. That is the real origin, in my opinion, of this method that has been in practice in India for so long. The company goes to the bank and says, "Please let me have a loan", and the bank says, well, "What is your security?" They offer security which probably is in the form of goods which they themselves produce. The bank says, "That is not enough. Supposing the market goes down and the price of that article falls considerably—the margin between the price at which it now sells and the loan that I am giving you will not be sufficient to save me from serious loss". It then turns to the managing agent who is responsible for the good management of the company, and he says, "I must have your signature too". That, Sir, is the real origin of this practice and without it companies in this country will, in my opinion, find it extremely difficult in the future to get finance.

Well, then, I come back to the argument that I put forward a moment ago, namely, that when the time comes for the termination of the managing agency, the managing agent calls in his loans. The company then goes to the bank and says, "please let us have a loan in order to pay off the managing agent". The bank says, "What is the security?" They say, "We have these goods". But that will not be enough and the managing agent will certainly not help to negotiate that loan because he will then be responsible for it, and—as the Honourable the Law Member has told us,—is really not entitled to very much in the way of compensation. His argument on that point seems to me to indicate more than ever how right we are in our contention that this amendment of ours should be adopted. Before I close, I just want to say one word more. It is generally assumed that only the individual company or the individual managing agent will be concerned. But that will not be the case; because in actual fact it may easily happen that 20 years from now India may be passing through one of those trade crises which all the world experiences from time to time, and if at that time credit is to be still further shaken by the fact that hundreds of companies—and there will be hundreds of these companies—have to go to the banks to get loans and that they will not be able to get those loans at all in some cases or in other cases (because they happen to be strong companies) though they will get loans it will be at a higher rate of interest—that I believe to be a very serious consideration. It is on these practical grounds that I commend this amendment to the House. Sir, I move.

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

"That in clause 42 of the Bill, in sub-section (2) of the proposed section 87A, for the words 'shall not continue to hold office after the expiry of twenty years from the commencement of the said Act unless then re-appointed thereto or unless he has been re-appointed thereto before the expiry of the said twenty years' the words 'may, unless, he shall have been re-appointed after the commencement of the said Act, be removed from office by a special resolution of the company, after the expiration of twenty years from the commencement of the said Act.' be substituted."

The Honourable Sir Nripendra Sircar : Sir, it is a very gloomy picture which my Honourable friend has drawn—but does it not strike him that it will equally apply—and all those arguments which he has advanced will equally apply if 25 years is substituted for 20? His trouble is that in the 18th or 19th year the managing agent will begin collecting his dues and the bank will say, “The managing agent is not helping you. I cannot lend you any money”, and the company will come to grief. Supposing my Honourable friend’s amendment is accepted, will not that take place in the 23rd or 24th year instead of in the 19th or 20th year?

Mr. Sami Vencatachelam Chetty (Madras : Indian Commerce) : The generation will be over.

The Honourable Sir Nripendra Sircar : A generation is taken at 33 years. Therefore, every bit of the arguments that my Honourable friend has advanced will apply with equal force after another five years. Take for instance, the trade crisis. How do we know that the trade crisis will be in the 20th and not the 25th year? How does my Honourable friend know that? He is not an astrologer. (Laughter.)

An Honourable Member : He is the managing agent!

The Honourable Sir Nripendra Sircar : But, Sir, the argument of my Honourable friend that the shareholders will get no chance shows that, after all, there is much altruism even in business. (Laughter.) The heart of the managing agent is melting for the shareholder, the poor shareholder! (Laughter.) The poor shareholder, “he gets no chance of removing me”—that is his complaint! Is there anything in that? Supposing in the 18th or 19th year he comes up before the shareholders and says, “This is the position. I cannot carry on after the 20th year. Will you kindly tell me whether you are going to renew my agreement?” What is the difficulty? There is not the slightest difficulty. In substance my Honourable friend’s amendment will mean, as he wants a special resolution after 20 years knowing that in most cases the managing agent has got a large bloc of shares that resolution could never be passed. It may really amount to substituting 25 years for 20 years. Sir, I oppose.

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

“That in clause 42 of the Bill, in sub-section (2) of the proposed section 87A, for the words ‘shall not continue to hold office after the expiry of twenty years from the commencement of the said Act unless then re-appointed thereto or unless he has been re-appointed thereto before the expiry of the said twenty years’ the words ‘may, unless, he shall have been re-appointed after the commencement of the said Act, be removed from office by a special resolution of the company, after the expiration of twenty years from the commencement of the said Act’ be substituted.”

The motion was negatived.

Pandit Govind Ballabh Pant : Sir, I move :

“That in clause 42 of the Bill, in sub-section (2) of the proposed section 87A, for all the words occurring after the words ‘the said Act’ the following be substituted :

‘and shall cease to hold office any time after five years from the commencement of the said Act, if the Company has by resolution passed at a general meeting decided to terminate his services, provided that no such resolution shall be passed unless thirty years have elapsed since the Managing Agent

or his predecessor first occupied such office. Nothing in this sub-section shall prejudice the right of the company to re-appoint the Managing Agent or to determine his office before the prescribed period in accordance with any provision in the Articles of the Company or in any agreement with the Company."

I fully apprehend the import and implication of the proposition that I have placed before the House. The words with which the Honourable the Law Member concluded his speech while winding up the motion for the consideration of the Report of the Select Committee are still ringing in my ears, and he gave us a frank view of what he thinks of this amendment even this morning when he replied to the amendment moved by my Honourable friend, the Leader of the European Group. I beg to assure the House that I have examined and scrutinised the terms of this amendment that I have the honour of moving just now, again and again in the light of the remarks made by the Honourable the Law Member and also in the light of the propaganda articles issued by the Department of Public Information during the last week or two. But I am constrained to confess that I remain unshaken: and but for the conviction that this clause is necessary and essential I would not have intruded at this stage on the time of this House or on the attention of the Honourable Members of this House. I confess that this amendment is of a far-reaching character and that, if accepted, it will mean a great change in the present system of management of industries in this country. It will revive hope in many a breast. It will open an era for industrial development, expansion and growth. It is in that belief that I am making this amendment. Sir, I must assure the Honourable Members of this House that I do so with a full sense of responsibility.

Before dealing with the amendment or what it exactly means or why I am appealing to the House to accept it, I should like to lay stress on one or two remarks which have fallen from the lips of Sir Leslie Hudson and Mr. Chapman-Mortimer. I wish the House to take note of what the Honourable the Leader of the European Group observed while he was arguing for his amendment. He said after this provision in the Bill, which remains unchanged and which he wanted to see altered, no managing agent will hereafter finance the companies that may be in his charge. The concerns in the charge of the managing agents will no longer receive any financial assistance from the managing agents. That, Sir, has been the main pivot on which the continuation of the managing agency system has been urged. It has been defended mainly on the ground that the managing agents have been financing the companies and if they cease to be connected with these concerns as managing agents then financial difficulties will ensue. Now as Sir Leslie Hudson has already assured the House, whether you retain this provision in the form in which it is or whether you alter it, that source is to dry up hereafter and no finances are expected from that quarter. So let there be no delusion in this respect. The sole ground on which that system has been justified has been cut down from the feet of those standing on this ground, and there is no reason left for the prolongation of the managing agency system so far as the existing companies are concerned. There was another remark which was made by Mr. Chapman-Mortimer and I would also like to invite the attention of the House to that. In substance, he argued that all industrial concerns were subject to the control of the shareholders and the wishes of the shareholders should count in these matters. I

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entirely endorse his remarks and if he will be pleased to consult the amendment that stands in the list in my name, he will find that I am giving power only to the shareholders to decide whether the existing managing agents should or should not continue. He said, and rightly too, that the final decision should rest with the shareholders. I hope consistently with his regard for that wholesome principle he and those associated with him will support my amendment.

Now, coming to the amendment itself, I should like to state in a few words what is its exact meaning. In fact, I have left no room for ambiguity. It is plain enough. Every managing agent should have finished a minimum period of 30 years before he is disturbed. That is No. 1. No. 2 there should be no interference with his terms or with the tenure till five years have elapsed from the commencement of this Act. No. 3— Even then his term should not automatically come to an end but it should be left to the shareholders to decide whether they consider it desirable and expedient in the interest of the industry with which that particular managing agent happens to be associated that his term of managing agency should be terminated. The amendment that I have proposed is perfectly equitable. It is, as I will try to show hereafter, even generous and no managing agent should cavil either at this amendment or at me for having moved it. Sir, I should like just to point out what was the original suggestion of the expert who had opportunities of considering this question, I think, more dispassionately than many sitting here, who had a larger mass of material at his disposal than we have and who had not only the benefit of his own personal experience at a place like Calcutta, but who had also for his guidance the opinions received from Local Governments and others who are usually associated in their public functions and capacities with matters of this type.

Sir H. P. Mody : His education was incomplete then ?

Pandit Govind Ballabh Pant : He had not been educated by you till then. (Laughter.) What Mr. Sen said appears at page 34 of his report. He says :

“ As to existing managing agencies, I would suggest that the old terms should come to an end after one year from the amended Act coming into force, notwithstanding anything contained in the Articles or the agreements.”

Sir H. P. Mody : Shame !

Pandit Govind Ballabh Pant :

“ and that thereafter terms will have to be arranged afresh as if the managing agent was being appointed for the first time.”

Well, Sir, this was the view of Mr. Sen and he had stated in his introduction :

“ Some of my recommendations may appear at first sight to be too drastic while others may appear to be too moderate. On a closer consideration, however, I hope it will be found that I have tried to bring my recommendations to the irreducible minimum.”

Well, Sir, that was the irreducible minimum set forth in plain and unambiguous language by Mr. Sen whom I congratulate on his sound impulse and right judgment. I have been in close association with the Honourable the Law Member in this matter and I have not lost all hope

from that quarter even. I am an incorrigible optimist and I believe that righteousness has potency in it and if the proposal that I am placing before the House is wholesome and sound, as I believe it is, there is no reason why it should not prove acceptable to the Honourable Members of this House. Sir, I just placed before you the final, reasoned and considered opinion of Mr. Sen. The next stage that was reached was the decision of the Government itself. The Government had before them Mr. Sen's report and all the materials dealing with this question, including the reports relating to the annual administration of registered companies along with their balance sheets and, probably, the complimentary addresses presented to the managing agents. When I spoke of complimentary addresses, I was not using a formal expression only. I have seen such addresses and they have occasionally been published.

Sir, I should like to reiterate what I said before. I do feel that the managing agents have served a useful purpose and that the country has reason to be beholden to them. I have said so in my minute of dissent ; I have said so in the speech which I had the privilege of delivering on the floor of this House while dealing with the report of the Select Committee, and I also accept that there are esteemable gentlemen amongst the managing agents. But I want the managing agents to realize that, today, industry has ceased to be the isolated concern of an individual or of any group. I want them to realize that every day there is such an onward march in the field of research, co-ordination, standardization and so many other things in the field of industry that if these vital concerns are left in the charge of persons, who in most cases have no title to them except the accident of calling themselves the sons of their fathers, then we will be running a grave risk and it is just possible that industries may be altogether effaced in the stiff competition which they have to face day in and day out. It is from that point of view that I want them to look at this problem, and not only from the narrow and sordid point of view of a few rupees and annas or a few pounds and shillings. Is the present system conducive to the maximum amount of efficiency ? Does it ensure that ? If not, is it desirable to insist upon an exploded system which has hampered the growth of industry because of its innumerable handicaps and which is bound to handicap it further ? Sir, that is the main reason which I want to place before the Honourable Members of this House. However, that is by way of a digression. I will go back now to the position of the Government itself on this point before they were entangled in the dark meshes of the vested interests who are ordinarily incapable of looking ahead and taking a far-sighted view of things : for, ultimately, there is no conflict of interest, and if you will look ahead and far ahead from sublime heights, you will notice that all those mounds and out-hills, which seemed to hamper and obstruct your view when your vision was circumscribed, will completely disappear and you will see a fine prospect before you for miles and miles. I want them to take a far-sighted view of these things. Sir, this is what the Government observed in this connection ; this is the decision of the Government of India before they were vitiated by the members of the informal Committee ; before they had come in contact with them.

The Honourable Sir Nripendra Sircar : " Before they were improved."

Mr. S. Satyamurti (Madras City : Non-Muhammadan Urban) :
Before they met Sir Homi Mody !

Pandit Govind Ballabh Pant : Sir, at page 20 of the tabular statement the provisional Government proposal was stated as follows :

“ Notwithstanding anything to the contrary contained in the articles of association of the company or in the agreement with the company, no managing agent of a company appointed prior to the Act coming into force shall hold office beyond five years from the date when this Act shall come into force.”

Now, that was a categorical, unconditional and unqualified provision there. Five years,—and all managing agencies should be extinguished, obliterated and exterminated. I am not making any such absolute, unreserved and unqualified proposal. I think I am much more fair to the managing agents than this provisional decision of the Government. I am certainly going much further than the period proposed by my Honourable friend, Mr. Sen. I say they must have five years in every case, but even after the expiry of five years, they must have so many more years as may be needed to make up the minimum of thirty years from the time they got the agency. Government had not attached any such rider or any such condition. Sir, I hope Government will still be able to revise their opinion. When they did not allow themselves to be guided solely by the advice of their expert adviser, and when, after that, they allowed their opinion to be changed in the light of discussions they had in the informal committee, I do not think that the position is altogether hopeless and I still expect that, as the Government was able to change its mind so often previously, it will yet be able to examine the question in a dispassionate manner, and if it finds that the decision embodied in this Bill can be improved upon, then it will be prepared to accept my amendment. Sir, I ask the Honourable Members of this House, if they have any confidence in my Honourable friend, Mr. Sen, to accept my amendment. Mr. Sen wanted them to give a period of one year only. They must accept the proposition that the Government was in a better position to deal with things in a chaste manner, uncontaminated by any corrupt influence (Hear, hear), when it first arrived at a decision free from imposition from any quarter.

Mr. S. Satyamurti : “ Mody or Chapman-Mortimer.” (Hear, hear.)

Pandit Govind Ballabh Pant : Sir, I accept what the Government then decided. I endorse their view and I go still further and say that even after the expiry of these five years, if a managing agent has not completed his thirty years, let him have the remainder of the term needed to make up a minimum of thirty years. Then, Sir, why should there be any objection to this clause ? Is an objection to be pitted against this amendment simply because the Government has since arrived at another decision to suit Sir Homi Mody ? I can very well understand the sigh of relief with which this decision must have been received by the managing agents after the publication of the recommendation of Mr. Sen and the original decision of the Government itself. Now, there has been a lot of talk about expropriation. I will come to that a minute later but I would at this stage like to invite the attention of the House to a point which has already been mentioned by the Honourable the Law Member. If Honourable Members will refer to

page 63 of the present Bill as it has emerged from the Select Committee, they will find there the following provision :

“ No banking company shall, after the expiry of two years from the commencement of the Indian Companies (Amendment) Act, 1936, employ a managing agent for the management of the company.”

Sir, this represents the collective opinion and wisdom of the Select Committee, and here you will note that, whether it be the existing banks or whether it be the banking concerns that may come into existence hereafter, none of them will have a managing agent after 2 years. Even if the managing agent of an existing bank had been appointed permanently without any rights invested in the shareholders to remove him, and although he may have been in office only for one year, at the time of commencement of this Act, after taking all the trouble to float such bank or company, still he must vacate his office after 2 years. Not that I am sorry for it,—I welcome it.....

The Honourable Sir Nripendra Sircar : Banks have no managing agents. So far we could trace only one.....

Pandit Govind Ballabh Pant : I know of at least one, Varshney and Company. There may be others too. When Government have introduced a clause like this, I presume there is an evil which has to be remedied, otherwise they would not have inserted this fictitiously and in vain. There must be cases to which the clause can be and is applicable, and it must be with a view to attain certain object that this provision has been embodied in the Bill. Therefore, so far as this plea of expropriation goes, it is covered by this clause. If there are reasons, and satisfactory reasons, then the mere argument that a person is to be a managing agent under an agreement is not enough to enable him to retain his office, and the question has to be considered in the light of public exigencies and public interests. Sir, as Honourable Members are probably aware, one-third of the registered companies in our country are banking and insurance companies. Out of about 10,000 registered companies, the insurance and banking companies are more than 3,000 in number. So this provision will affect about one-third of the banking and insurance concerns to the extent they have the managing agents. Then we find that of the remaining two-thirds, more than half are being run by managing agents today, and all those concerns which really matter and in which the public are mostly interested are in charge of managing agents. All textile concerns, for example, except four, are in charge of managing agents. Almost all the tea companies are in charge of managing agents ; almost all coal companies are in charge of managing agents ; almost all steel and iron companies and similar other companies like cement companies and so forth are in charge of managing agents. These between them form the real backbone of industry in India today. Now, Sir, I would like the Honourable the Law Member to compare the growth of the Bengal Chemical and Pharmaceutical Works with other concerns in this country. Could this national concern make the remarkable progress if it had been under the control of a managing agent, and if it had not been nursed by the selfless labours of that great saint and patriot Acharya Ray ? (Applause from Congress Benches.) I think it is the only institution in this country which has got more than 200 graduates working within its portals, it is the only institution of its type in the country which has

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fulfilled one of the most primary needs and requirements, and yet it has never been run on a mercenary basis. The growth and development and the great good that the Bengal Chemical and Pharmaceutical Works have done, afford proof, incontestable and indisputable, of the superiority of the direct system of management as against the managing agency system.

Sir, the bogey of expropriation has been raised. Also the plea of sanctity of contract. I am not one of those who hold that a contract should be treated as a scrap of paper. I would not follow England in the course it has adopted towards its creditor countries to whom it has refused to make even symbolical payment in spite of repeated appeals. I am not one of those men who would like to follow the lead of Great Britain in that matter. I do attach some significance to contracts. But, Sir, does the theory of expropriation hold good here? Has any one cared to examine the question in its comprehensive and true aspects and bearings? To whom these concerns owe their existence today? That is the main question. If this question had come to us before the year 1922, one could have trotted out the theory of *laissez faire*, but since the year 1922 much water has flown down the bridge, and every single industry which exists today is alive only because of the voluntary and willing sacrifice of the community, otherwise it would have died long before. Sir, the policy of discriminating protection altogether wipes out this exploded theory of *laissez faire* in the matter of industries. Has any one cared to calculate what amount the public are contributing towards the maintenance of these industries? Could a single cotton or textile mill or an iron and steel concern survive a night here if the protective duties were withdrawn? And on whom does the burden of these protective duties fall? Even today we find that we are contributing 12 crores in the form of protective duties to keep out articles with which our industrialists here cannot compete. Those gentlemen who have read this book by Hirendra Nath Dey,—“The Indian Tariff Problem”—I have brought with me only one of the elementary books on the subject,—those gentlemen who have read this book must have seen what a burden is imposed on the general taxpayer on account of protective duties. I will just refer to page 90 of his book relating to “the cotton tariff”. It relates to the year 1927-28, and as my friend, Sir Homi Mody, knows very well, the import duty at that time was almost a quarter, and much less than what it is today. This is what Mr. Dey says in his book :

“If the sum shown as the net gain of Indian producers is divided in the ratio of 60 to 40 per cent. as between the millowners and handloom weavers, the share of the former would be Rs. 465 lakhs per annum. The total paid up capital of the Indian cotton mill industry in recent years may be estimated at approximately rupees four thousand lakhs. During the period in question, therefore, the consumers contributed in the shape of higher prices a sum of money which works out to between 11 and 12 per cent. on the annual paid up capital of the cotton-mill industry in India.”

Sir H. P. Mody : Do you accept these economics ?

Pandit Govind Ballabh Pant : I do not accept indiscriminately any person's ideas or doctrines. I apply my own reason and accept what appeals to me. I accept part of the economics even of my friend, Sir

Homi Mody, including the policy of protection, over which I will fight with him hand in hand every day. At the same time, I realise that there is a countervailing duty imposed on us to see to it that the costs of production are reduced to a minimum and the production of goods is fostered at the most economic and lowest possible cost, for I ever see before me the image of the poor and starving masses in the land. Who is today really maintaining the Indian cotton industry ? I do not want to discourage him, but should he contribute in order to fatten the managing agent, in order to give him more than is really necessary for the protection of that industry ? Look at the emaciated and famished faces of the toilers in the village or the labourers in the city and look at the faces of some of my friends here who, in spite of all the operations performed by the Honourable the Law Member, seem to be still basking like the gigantic animal on their benches as happily and merrily as ever !

So, Sir, I want the House to look at the question from the proper angle and from a proper perspective. There is no question of expropriation involved. If these industries exist today, they have to be thankful to this Assembly for what it has done since the year 1924 onwards. If these industries exist today it is because of the policy of discriminating protection which has cost us directly or indirectly an amount of not less than 360 crores to this day. It is because of this that these industries have survived and still exist. What is the total sum invested in cotton industry today ? About 40 crores. And what is the import duty that we are paying on textiles that we import ? 10 crores. So that 25 per cent. of the total capital invested is being given away by me and the other poor people in this country every year in order to enable these textile industries to function. Then, the loss is not only these 10 crores. Protective duty is bound to raise the level of prices at least in the case of goods of a superior quality and if you add no more than 10 crores on that account, the public is undoubtedly contributing at least 20 crores a year for the maintenance of this industry in which the entire sum invested comes to 40 crores, of which perhaps the managing agent's share is not more than 5 or 10 crores. For this fraction, has he got such a right that we should be charged with expropriating him when we suggest no more than this that the shareholders should be given the option and opportunity of deciding whether the managing agency system should continue on the existing terms after five years ? This charge is very unfair to the man who is really today maintaining the cotton textile industry. Then, again, let us go to iron and steel. We are paying something between 40 to 60 rupees per ton on ingots, iron bars, iron pipes and everything that we import from other countries and the total protective duty comes to about one crore or 75 lakhs. And who are the paymasters ? You come to us when you want protection. You appeal : " Well, hold the baby, otherwise it will expire ; or administer oxygen to this drowning adult, otherwise he will sink. He is engulfed and plunged in deep waters, and unless you share your nourishment with him he cannot be saved." But here you say you have no voice. It amounts to expropriation ! Is it not impudent, ungracious and unkind ? When you know that everyone of these industries is being maintained by the community, the managing agent must feel grateful to the public for their voluntary sacrifice. He must be grateful to this Assembly for having enabled him to live so long. We are still

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prepared to give him a further lease of life. We do not want to be hard on any agent, be he a European or be he an Indian. But my friends say : " You are bound to contribute everything for our upkeep but we alone are the masters and must get our pound." That is a plea, Sir, which cannot possibly be accepted by any sane person. Similarly, go to sugar. What is the total amount invested in sugar ? It is less than 3 crores. And what is it that we are paying ? Something like 8 or 9 rupees per cwt. in the form of import duty in order to raise the price of sugar to enable these agents to run the sugar mills. The poor and the starving consumers of this country are contributing every season much more than the total capital invested in sugar in order to maintain this sugar industry and yet you say the managing agents should have 2 to 3 per cent. on sales, something on the purchases, 10 per cent. on the total profits, 6 per cent. on the money invested and Rs. 1,000 to 2,000 per month in addition ! If you add up the whole thing, you will find that the amount of dividends paid to the shareholders bears no proportion to what the managing agents get in the form of commission, interest and other things. And it is not a caricature. I am prepared to quote chapter and verse. As I read out the other day from Lokanathan's book, they do not worry too much about dividends as income for subsidiary services and other sources fetches them much more. Sir, with these facts before you, is there any reason why you should not make an attempt to remodel these industries, to bring down the cost of production and to democratise industries to the extent possible ? Sir, the position is this. So far, our industrial concerns have been more or less like family concerns and the old canker of heredity has arrested the pace of progress. So, Sir, we have to take a large view of things. Why talk of expropriation ?

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

Let us assume that we decide today to withdraw these import protective duties. I ask my Honourable friend, Sir H. P. Mody, what will be the value tomorrow of a share which is being quoted today for Rs. 10,000 in the share market in textile or sugar or iron and steel companies ? It will be a big zero. So, Sir, the entire value that it possesses is because of the contribution that I make. If there was expropriation at all, then it is I, that am expropriated of the little that I possess when you prop up these industries which could not stand on their own legs except through and with my contribution. Expropriation was mine and not theirs. You took something from me in order to sustain yourself. If the principle of expropriation is to be applied, then the best thing would be to form a national syndicate of India (Hear, hear), so that they may take charge of all these industries for which they have paid much more than the original capital invested in these industries out of their hard earned money. But I am not making that suggestion. I only suggest that after the managing agents have completed their 30 years, let the shareholders exercise their discretion in the matter. What has been the history of these industries ? Really if these suffer, have not these managing agents had their day ? Did they not make hay not only when the sun shone, but also when it rained heavily. They did it always. What were their

earnings between the years 1915 and 1922 ? I would remind Honourable Members of the speech that was delivered here by Sir Charles Innes in which he said that between these eight years, the shareholders had earned 51 per cent. per year on the capital invested by them in these industries and I believe the managing agents had earned during this period several hundred per cent. on the money invested by them. That is the reason to which we owe over-capitalisation in some of these industries. They had money which they could not utilise otherwise and they invested it in their concerns. That is what happened. Now, this House should remember that protection has been given to each industry for a definite period, for example in the case of textile industry, this protection will come to an end on 31st March 1939 and in the case of iron and steel, it should come to an end on 31st March 1941. Now what is going to be our attitude towards this ? As Honourable Members are aware, much has been said about financing by the managing agents and the Honourable the Law Member read out to us a lot of stuff about the managing agents in Ahmedabad. What is the real truth ? The real truth is while the total paid up capital there is less than five crores, the capital debt along with short term debt exceeds 10 crores. That is the state of the finances in Ahmedabad. I submit, Sir, there is a very grave problem before this House and it is this. What is going to be their attitude after 1939 and after 1941 when these questions have to be dealt with again ? Will they now allow these industries to deteriorate further and run the risk of having to pay even higher duties or will they adopt such means as, without being unjust and unfair, will secure the running of these industries on economic lines ? I ask my Honourable friend, Sir H. P. Mody, whether he is satisfied that the continuance in office of the present managing agents will enable these industries to compete with the rest of the world without any protection after 31st March 1939. If he agrees, if he gives this assurance here, I withdraw my amendment.

Sir H. P. Mody : In some cases, that will be so.

Pandit Govind Ballabh Pant : Some may be, it may be one-fourth, one-sixteenth or one-hundredth. I know my Honourable friend is clever enough. I ask whether after 1941 he is going to assure us that there will be no occasion for any further protective duty on iron and steel ? Is he going to assure us that after 1939, there will be no occasion for any further continuance of the duty on sugar ?; if not, I warn you not to dispose of this large question summarily by introducing the fiction of expropriation. It is not so. This is a matter which affects the entire community, because it is the community which is in fact today maintaining these industries. What have the managing agents been doing ? As I have already said, I do not in any way insinuate that all are of the same type. Some of them are esteemable persons and widely respected, but these questions have to be considered from a broader and impersonal point of view. I should ask you to consider what some of these managing agents have been doing. Let it be borne in mind that my remarks do not apply to all. I have before me the Directory of the Ahmedabad industry and I think the Honourable the Law Member has studied it because he quoted certain paragraphs from it the other day. If he will be pleased to look at relevant statements, he will find that the commission paid to the managing agents almost equals the total dividends paid to the whole lot of shareholders. The managing agent is sometimes an individual, sometimes the

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agency has many partners as in the case of Currimbhoy and when one agent dies, there are often several heirs, and evidently all of them cannot be equally efficient and competent.

Sir H. P. Mody : Like father, like son.

Pandit Govind Ballabh Pant : Let my Honourable friend, Sir Homi Mody, answer how often the reverse is true. Then, again I find, on adding up the figures from 1929 to 1933, that the total amount paid to the managing agents on account of their commission alone was one crore, 66 lakhs, and that to the shareholders by way of dividends, two crores and 18 lakhs. I took a period of five years. Apart from this, the managing agents had their commission for sales, had their commission for purchase and they had 10 crores invested directly or indirectly at six per cent. That must have fetched at least three crores during this interval at the rate of six per cent. I also find here, I think perhaps the Honourable the Law Member has seen it, that sometimes the good managing agents borrow money for long terms at six per cent. and when the company has no use for it, they purchase Government paper at $2\frac{1}{2}$ per cent. for the benefit of the company as they would not like this money to remain unutilised. I thank them for the care they take of the funds of the company.

Then, there is another thing which must cause an amount of concern, —the share quotations are going down day by day. Many of the mills have their shares today at a lower value than they were some years back. The portents are that the industry will be still in a greater difficulty if the management does not improve, with the result that we will be asked to raise the import duty higher still. Can the country afford it? If not, what are you going to do to put a stop to this progressive deterioration? What methods are to be used to modernise industry, to economise the process of production and to make things easier? After all, Sir, there is only one object of all industry, and in our country particularly that has to be constantly borne in mind. It is to raise the standard of comfort of the average citizen, to produce more wealth, to reduce unemployment. Will any of these three objects be achieved reasonably if the present system continues without any change? So far as the managing agents of three-fourths of the big concerns are concerned, my Honourable friend, Sir Leslie Hudson, Bird and Co. and Baird and Co. and all the other companies, import every man from England and they would not have a single person here as their partner. Sir R. N. Mukherji was lucky, but how rare are such cases, in spite of the fact that the share capital is held by Indians in some cases to the tune of 60 per cent. But all their partners must be those whom they like or trust. So Indians are ruled out. But the fact remains that the present managing agency system in Calcutta and other places stands in the way of the employment of Indians. If there were boards of directors elected by the shareholders, there would certainly be a larger number of Indians in these various concerns. The other day the Honourable the Law Member rightly and properly laid stress on the fact that industrial talent in our country was so scarce. How can you have it? With these hereditary foreign managing agents how can any Indian, howsoever talented, get an opening? How can you have any scope for industrial

talent ? It is sure to be throttled and atrophied. Not that we have not got it, but we have no scope for it. And that is how indigenous industrial talent is starved and crippled. Let us now examine the argument about the sanctity of contracts. Let us see how far those arguments are correct. After all, which contracts carry sanctity ? Suppose I were to enter into a contract with my constituents today that I and my sons and my son's sons and my son's grandsons and their grandsons will continue to represent them in this Legislature to look after, protect and promote public interests. Is it a fair contract and is anybody bound by it ? Or suppose Sir Homi Mody were to enter into a contract with the New Theatres Limited to the effect that he will dance there till he attains the age of 60 and after him his son will dance there and after him his son's son and so on, is that contract an equitable one ? Is that binding on him ?

Sir H. P. Mody : Yes, if I could dance.

Pandit Govind Ballabh Pant : Suppose Sir Homi Mody cannot dance, then what ? I pause for a reply. (Laughter.) Supposing Sir Homi Mody's son cannot dance, then what ? The point to remember is this, that all these contracts relating to managing agents depend for their proper functioning on the personal qualities, on the intellect, on the industrial talent, on the energy and resourcefulness and on the credit of the managing agent. And such a contract cannot possibly be valid except for the period during which such individual retains those qualities, and that is the reason why I have put the period of 30 years. We know that a man generally loses his vigour and vitality after the period of 30 years. Even in Government service, I believe 30 years is the maximum period. After that limit senile decay sets in. So, Sir, I allow for a period of 30 years to the managing agent, and after 30 years the managing agent does not retain the vigour and vitality and the energy which is needed for supervising and controlling and regulating big concerns. And who suffers ? Not the shareholders alone,—I do not so much worry about them,—but the entire body. We are placed on the horns of a dilemma. Whenever we are asked to grant protection to a nascent or to an old industry in jeopardy or embarrassment, our impulse can lead us only one way, and we would extend protection whatever be the cost. On the other hand by wasteful methods and unintelligent management you raise the price unduly and sometimes altogether beyond our capacity. It is because I want that industry should run on sound lines, it is because I want that the manager should be a genuine manager, that I urge that you must give the shareholders the option of determining the term of undesirable agents. Sir, the members of the European Group and Sir Homi Mody and others acquainted with business will, I trust, accept that a great deal depends on the *entrepreneur*, on the personal qualities of the man who is in charge of the management. How has Ford built up such a huge concern ? Those who have read the history of the growth of the Ford motor works must have been struck by his wonderful genius. I was struck when I read there that every labourer gets a minimum wage of 7 dollars. I know even in our own country when we had good capable managers, men like the great Tata, they took charge of textile mills that had gone to ruin and to pieces and they brought them to life and they made them the most prosperous concerns. I know in one case Shri Kasturbhai Lalbhai took charge of a mill that had gone into liquidation. He built it up and now it is one of the most

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prosperous mills. It is because the man factor got a chance and asserted itself; and when you deprive industrial concerns of that vitalising energy, how can they thrive or grow on healthy lines? Sir, it must be conceded that a contract of this type for more than 30 years would be against public policy, and *ab initio* invalid and void. My proposal however allows a 'minimum term' of 30 years though in our country, as Honourable Members may be aware, the average longevity is only 23 years as against 48 years in the United Kingdom. But still I have given 30 years which is the normal period of active service even in England.

Now, Sir, I will refer to the terms of some of these agency contracts to show how very solicitous of the interests of the general public and of the shareholders the managing agents are. I will just refer to a few of them and they may be taken as illustrative of the general run. How very just, how very equitable these are and how unfair it would be to touch these contracts,—and I certainly would not touch them even with a pair of tongs,—I will ascertain from the House in the light of the contents of these contracts. I will not mention the names of the mills: but if anybody is curious to look at them, I hope Sir Homi Mody will testify to the authenticity of this document—I do not want to mention any names here.....

Sir H. P. Mody : You just say Ahmedabad or Bombay.

Pandit Govind Ballabh Pant : I have got cases from Ahmedabad, I have got cases from Bombay and from great Calcutta. I will just read out one—a mill from Ahmedabad. I will not read out all the terms, but only one or two: it is stated that the agents shall be paid a commission of either 4 per cent. on the sale proceeds of yarn and cloth or 3 pies per pound on such sale proceeds and commission of 10 per cent. on other sale proceeds. The amount of commission shall be credited to the agents account bearing interest at 6 per cent. per annum with three months rests and if a company is liquidated then 10 years' commission will be paid. If the managing agent resigns with company's consent then 12 years' commission is to be paid: and what comes next is even more interesting. Notwithstanding such resignation the commission to be paid to the firm shall never be forfeited or surrendered. A man will resign and yet he will get compensation in the form of 12 years' commission; and after that he will continue to receive his commission without rendering any service whatsoever. Can anything be more equitable, more sacrosanct and sacred than this? I pause for a reply from Sir Homi Mody....

Sir H. P. Mody : It is very equitable to the managing agent!

Pandit Govind Ballabh Pant : If that is your idea of equity, I bow to it: I now see why we have been differing. Then I will read out another document. It is again like this.....

An Honourable Member : Is it from Ahmedabad?

Pandit Govind Ballabh Pant : These are all Ahmedabad. If anyone wants to verify my remarks he is welcome to do so. I have got several instances before me, but in order to save the time of the House I may shortly say that in most of them the terms are that they are to get 4 or 5 per cent. on sales, 10 per cent. on purchases, 10 years' commission if the company goes into liquidation, 12 years' commission if he resigns and

the company agrees to let him off ; and after all that he will continue, even after the resignation, to receive the commission promised initially though he will have no concern with the business. These are the terms. But throughout these agreements there are certain common factors and they are these : firstly, every managing agency is to be permanent. The only way to get rid even where there is a provision is this—and it is a very simple method which only subtle ingenuity could devise—that you must hold an extraordinary meeting and give six months' notice—and mind you, not by advertisement,—only they forgot to add 'not by post' and that the letters should be delivered to the shareholders personally—and they must have at least six months' notice so that shareholders may during that time reflect and cogitate over the matter so as to be able to take a cool calculated view of things. After that, in cases where the people are very lenient, three-fourths, and in other cases where they are not so very lenient, seven-eighths should be personally present, and not by proxy, in order to pass a resolution for the removal of the agents. Can anything be easier or simpler than this ? That is again a characteristic of the equitable nature of these agreements, which we should respect even if our country goes to dogs or to the other world....

Sir Cowasji Jehangir : All these are Ahmedabad, I presume—these six that you have mentioned and that you are analysing ?

Pandit Govind Ballabh Pant : At least one of the mills in Bombay is still getting the remuneration for the managing agents in that form of percentage on the price of goods sold....

Sir H. P. Mody : That is getting precious little.

Pandit Govind Ballabh Pant : I know very few are getting anything, because recklessness sometimes has its own revenge. Here is one relating to a coal concern : it might interest my friends over there : it says :

“ Monthly allowance at Rs. 1,500 and such commission on profits, etc., as the agent may from time to time consider advisable ; ”

In another case, it is Rs. 3,000 and commission on profit at the rate of 10 per cent. and then it goes on, all goods are to be purchased by the agents and all goods are to be sold by the agents and they are to get extra commission on that ; and the method of removal is as easy as in the other cases. Now there are other agreements which I will read out. There is a jute mill in Calcutta—I can name the mill if required, but I will not mention the name of the managing agent. The remuneration is 2 per cent. of the gross proceeds, Rs. 1,500 per mensem, 10 per cent. on net profits, insurance to be made by the company itself, all purchases to be made by the managing agents, all sales to be made by the managing agents : all jute to be sold or cleared through the agencies of the managing agents all over the country and by none else. Then, there are other companies and concerns about whom we have got similar notes here. There is a company which belongs to the province of Bengal and so it may interest Mr. Sen here—4 per cent. on total proceeds of all yarn and cloth, 5 per cent. on bills for pressing, dyeing, bleaching, with interest at 6 per cent, being half yearly and 10 times the commission on liquidation and 12 times on resignation. Then there is another company which pays 45,000 per year and 5 per cent. on profits....

An Honourable Member : Where is that company ?

Pandit Govind Ballabh Pant : Calcutta. I do not think I should tire out the patience of the House by reading all this out : all these companies have more or less similar terms : 4 per cent. of profits, 5 per cent. on dyeing, pressing, etc., 10 times compensation on liquidation and 12 times if resignation is accepted. I have already taken up too much of the time of the House.

We had yesterday this pamphlet signed by a man named Bajoria—Narayandas Bajoria. I do not know how far it is true....

The Honourable Sir Nripendra Sircar : Seven-eighths untrue, I am informed by another Bajoria.

Pandit Govind Ballabh Pant : Then one-eighth is true and what I am stating should be taken as belonging to that one-eighth.

The Honourable Sir Nripendra Sircar : I may inform my Honourable friend that this Bajoria wanted, as the proceedings will show, remuneration from the company and it was turned down. That is the reason for the pamphlet.

Mr. S. Satyamurti : When thieves fall out, honest men come into their own.

Pandit Govind Ballabh Pant : I cannot vouch for the correctness of the statements in this book.

The Honourable Sir Nripendra Sircar : I shall be able to show its incorrectness.

Pandit Govind Ballabh Pant : I tried to consult some people and they told me that similar pamphlets had been published previously, and that all these facts had been given publicity but no suit for damages had been filed against him and no proceedings for defamation had been taken against him. That is all I know.

Babu Baijnath Bajoria : That does not prove that the statements mentioned in the pamphlet are correct.

Pandit Govind Ballabh Pant : I state the fact. Whether it proves or disproves anything is another matter. I state a fact which you may take into account.

Mr. President (The Honourable Sir Abdur Rahim) : If the facts are not admitted, I do not think it is right to make use of them.

Pandit Govind Ballabh Pant : They may be admitted or not admitted. But it is not this gentleman Bajoria who is concerned, but it is some other man who is not here. How can you....

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member is not sure of the correctness of the facts stated.

Pandit Govind Ballabh Pant : I am sure to the extent that I am told that facts of this very nature had been published from time to time without any action being taken by the persons concerned.

The Honourable Sir Nripendra Sircar : No, but they have been contradicted.

Pandit Govind Ballabh Pant : I do not want to refer to anything that may be of a doubtful character and I do not want to attack or to make the least insinuation against any individual. I should be sorry if I did, and I should be sorry if anything I am saying here should in any way injure the credit of any individual. I am here forced to make reference to these things which are most unpalatable to me, in the discharge of my public duties, and only because it is necessary to bring certain things to light. One or two things more and I have done. Honourable Members are aware that in the olden days our industry was built without any protection in the form of import duties. We had true pioneers then who established these mills and who competed with the world. Why is it today that, in spite of all these protective duties, our industry is deteriorating ? I accept to a certain extent that there is economic depression, but that is not enough. Those who have cared to study these things must have been impressed by a common feature and it is this. So long as the first pioneer, the genuine captain of industry is there, the concern flourishes, progresses, grows and spreads like the banyan tree. When he is gone and the responsibility falls on those who are his successors and heirs, as unfortunately they are not possessed of similar sterling qualities, the concern deteriorates and very often it goes to grief and meets with disaster. It is because our managing agents are not men of the right type, if they happen to be managing agents simply by rule of succession without having shown qualities of enterprise, that these concerns suffer. Sir, we have been told a lot about the financing by these gentlemen. I won't deal with this matter at any length but I would invite the attention of the Honourable the Law Member to certain facts which are well-known. What was the Currimbhoy Group smash due to ? Was it not due to this vicious system of financing ? Out of 12 mills eight went into liquidation and the public lost three crores of rupees, almost as much as all the Ahmedabad mills together possess in their capital form. Then, again, there were other mills which suffered in the same manner. I think we should not go into these things, they are well-known. Then there was a mill which had a capital of 20 lakhs but the managing agents had advanced monies to it, so the capital of 20 lakhs was reduced to two lakhs. And now shares were floated in order to pay off the debt of the managing agents. Similarly, in another case the managing agent had certain loans due by the company and the company was asked to convert them into debentures and shares carrying three times the normal voting power. In one case which is nearer home in my own province, a gentleman acquired for one rupee share two votes while originally ten rupee share did not carry more than one vote. If the managing agent invests money, one thing has to be borne in mind that it is a halter round the neck of the firm, and you can enter into a *satta* with anybody if you deposit with him 5 or 10 per cent. to meet the loss. Give him 10 per cent. of the amount for which you want to wager and he will take it. The point, Sir, is this, that the managing agent has got shares at his disposal. When he advances money he can count upon the shares capital in case of deficit. I do not in any way blame him, in fact, I thank him for financing, but the point remains that it is to his advantage to so finance. What he advances he can normally always expect to recoup because he has got the security and absolute control of the share amount. Otherwise, why is it that the managing agents do not purchase shares and instead deposit money by way of loan ? They can easily purchase shares

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and there must be some reason. It is because they want to have the security of these shares for their advances. To some extent this financing, this method is responsible for the arrest of the growth of industry in our country, and that has been recognised by all, by Tariff Boards and by everybody. There is only one thing in the end that I would like to say and it is this, that this managing agency system has contributed towards inefficiency and incompetence, and all cases of liquidation—and there have been many—have been due to this incompetence and inefficiency. I am reading from the report of the Tariff Committee :

“ We are satisfied that no mill in India which could be regarded as run with fair efficiency and economy had up to the present been forced into liquidation as the result of the depression. None of the mills which have so far gone into liquidation had the smallest chances of surviving except in boom conditions. A study of the evidence we received at Ahmedabad will be found instructive on the point. A long list of mills which had gone into liquidation in that and adjacent centres was placed before us, but in almost every case there was very definite evidence that the liquidation was the result of incompetence and inefficiency and in some instances of dishonesty.”

In short, my submission is this, that industry is not an isolated concern of the shareholders and the managing agents alone. It reacts on the entire people in the country, on their economic condition, on employment, on standard of living, on everything that conduces to material well-being. When it is coupled with a policy of discriminating protection, then it becomes the direct concern of the people. You cannot ask people to maintain industry when it cannot pay itself, and on the other hand, follow methods which lead to waste and deprive it of the assistance of competent men. I want our industries to expand and multiply, I want that the day may soon dawn when we may not have to import a single article from abroad. I want our industries to advance so that we may be able to compete in the open market with the rest of the world. That can only be done if the man factor receives proper attention and that man factor can receive proper attention only if too much weight is not attached to this old and obsolete managing agency system. Sir, I move the amendment standing in my name and I hope that in the interest of industrial advance, equity and justice and for promoting the growth of new industries, Honourable Members of this House will accept the proposal which I have ventured to place before them in spite of the opposition of the Honourable the Law Member.

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

“ That in clause 42 of the Bill, in sub-section (2) of the proposed section 87A, for all the words occurring after the words ‘ the said Act ’ the following be substituted :

‘ and shall cease to hold office any time after five years from the commencement of the said Act, if the Company has by resolution passed at a general meeting decided to terminate his services, provided that no such resolution shall be passed unless thirty years have elapsed since the Managing Agent or his predecessor first occupied such office. Nothing in this sub-section shall prejudice the right of the company to re-appoint the Managing Agent or to determine his office before the prescribed period in accordance with any provision in the Articles of the Company or in any agreement with the Company ’.”

I understand the Leader of the House wishes to make some statement.

STATEMENT OF BUSINESS.

The Honourable Sir Nripendra Sircar (Leader of the House) : On Monday, Sir, the House will first dispose of the third reading of the Cantonments Bill and will then return to the Company Bill, which will be proceeded with on Wednesday and Friday. Tuesday and Thursday, as Honourable Members are aware, are non-official days.

The Assembly then adjourned till Eleven of the Clock on Monday, the 28th September, 1936.