

18th April, 1934

THE  
LEGISLATIVE ASSEMBLY DEBATES

(Official Report)

Volume V, 1934

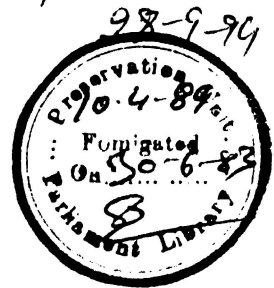
(16th April to 21st April, 1934)

SEVENTH SESSION

OF THE

FOURTH LEGISLATIVE ASSEMBLY,  
1934

~~Number Fomigated~~ 18/10/23



NEW DELHI  
GOVERNMENT OF INDIA PRESS  
1934

# Legislative Assembly.

*President:*

THE HONOURABLE SIR SHANMUKHAM CHETTY, K.C.I.E.

*Deputy President:*

ABDUL MATIN CHAUDHURY, M.L.A.

*Panel of Chairmen:*

SIR ABDUR RAHIM, K.C.S.I., KT., M.L.A.

MR. K. C. NEOGY, M.L.A.

SIR LESLIE HUDSON, KT., M.L.A.

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

*Secretary:*

MIAN MUHAMMAD RAFI, BAR.-AT-LAW.

*Assistant of the Secretary:*

RAI BAHADUR D. DUTT.

*Marshal:*

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

*Committee on Public Petitions:*

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

MR. K. C. NEOGY, M.L.A.

SIR HARI SINGH GOUB, KT., M.L.A.

MR. T. R. PHOOKUN, M.L.A.

MR. MUHAMMAD YAMIN KHAN, C.I.E., M.L.A.

## CONTENTS.

VOLUME V.—16th April to 21st April, 1934.

	PAGES.		PAGES.
<b>MONDAY, 16TH APRIL, 1934—</b>		<b>FRIDAY, 20TH APRIL, 1934—</b>	
Member Sworn . . . . .	3799	Member Sworn . . . . .	4190
Questions and Answers . . . . .	3799—3810	Questions and Answers . . . . .	4190—4212
Short Notice Questions and Answers . . . . .	3810—11	Election of the Standing Committee on Roads . . . . .	4212
Unstarred Questions and Answers . . . . .	3812—25	The Hindu Marriages Dissolution Bill—Petitions laid on the Table . . . . .	4212
Statements laid on the Table . . . . .	3825—28	The Hindu Temple Entry Disabilities Removal Bill—Petitions laid on the Table . . . . .	4213
Election of Members to the Standing Committee for Roads . . . . .	3828—29	The Matches (Excise Duty) Bill—Passed . . . . .	4214—50
The Indian Tariff (Textile Protection) Amendment Bill—Passed as amended . . . . .	3830—3928	The Mechanical Lighters (Excise Duty) Bill—Introduced and circulated . . . . .	4250—52
<b>TUESDAY, 17TH APRIL, 1934—</b>		<b>SATURDAY, 21ST APRIL, 1934—</b>	
Questions and Answers . . . . .	3929—50	Questions and Answers . . . . .	4253—66
Unstarred Questions and Answers . . . . .	3950—52	Unstarred Questions and Answers . . . . .	4266—71
The Trade Disputes (Extending) Bill—Passed . . . . .	3952—68	The Hindu Temple Entry Disabilities Removal Bill—Presentation of the Report of the Committee on Petitions . . . . .	4271
The Sugar (Excise Duty) Bill—Discussion on the consideration of clauses not concluded . . . . .	3968—4018	The Hindu Marriages Dissolution Bill—Presentation of the Report of the Committee on Petitions . . . . .	4271
<b>WEDNESDAY, 18TH APRIL, 1934—</b>		Dissolution of the Legislative Assembly . . . . .	
Member Sworn . . . . .	4019	4271—72	
Questions and Answers . . . . .	4019—26	Resolution re Excise Duty on Motor Spirit for the purposes of Road Development—Adopted . . . . .	4272—4320
Unstarred Questions and Answers . . . . .	4027—30	Retirement of the Honourable Sir Brojendra Mitter; Leader of the House . . . . .	4320—21
Message from the Council of State . . . . .	4030		
The Sugar (Excise Duty) Bill—Passed as amended . . . . .	4030—4121		
<b>THURSDAY, 19TH APRIL, 1934—</b>			
Member Sworn . . . . .	4123		
Election of Members to the Committee on the Ottawa Trade Agreement . . . . .	4123		
The Hindu Temple Entry Disabilities Removal Bill—Presentation of the Report of the Committee on Petitions . . . . .	4124		
The Hindu Marriages Dissolution Bill—Presentation of the Report of the Committee on Petitions . . . . .	4124		
The Abolition of Capital Punishment Bill—Presentation of the Report of the Committee on Petitions . . . . .	4124		
The Sugar cane Bill—Passed as amended . . . . .	4124—80		
The Matches (Excise Duty) Bill—Discussion on the motion to consider not concluded . . . . .	4180—98		

# LEGISLATIVE ASSEMBLY.

Wednesday, 18th April, 1934.

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

## MEMBER SWORN.

Lieut.-Colonel Alexander James Hutchison Russell, C.B.E.,  
M.L.A., (Government of India: Nominated Official).

## QUESTIONS AND ANSWERS.

### WORKING DAYS AS COMPARED WITH HOLIDAYS IN THE CALCUTTA HIGH COURT.

767. \*Mr. S. C. Mitra: (a) Is it a fact that the High Court of Calcutta remains closed for more days than it is open?

(b) Will Government please state the number of days the Calcutta High Court remained closed during the years 1932 and 1933, and the programme of work during the year 1934 according to the holiday list?

(c) Is it a fact that the Calcutta High Court does not sit on Saturdays to do court work? If so, why?

(d) Will Government please state the nature of work the Judges perform on Saturdays, and for how many hours?

(e) Is it a fact that some of the Judges devote themselves to non-judicial work during the other working days of the High Court? If so, how often and how much time is ordinarily spent on such work?

(f) Is there any fixed hours for Court work in the Calcutta High Court? Is it necessary for the Puisne Judges to consult the Chief Justice if they want to come late or go earlier than usual hours?

(g) Does the present Acting Chief Justice of the Calcutta High Court sit on the Bench on all the working days and for the same time as the other Judges?

**The Honourable Sir Harry Haig:** The Honourable Member's question relates to the internal administration of the Court. That administration has been vested by the Government of India Act, the Letters Patent, and legislation in India in the Court as a whole and in the Chief Justice in particular. Information on some of the points is available to the Honourable Member in the High Court Rules and the list of holidays, and Government do not consider that any public purpose would be served by obtaining the other information for which he asks.



**Mr. S. O. Mitra:** It is for you, Sir, to decide whether any public purpose would be served by obtaining the further information I have asked for. When I put the question and when it has been admitted by you, Sir, it is not for the Honourable the Home Member to give a ruling that public purpose would not be served. As far as part (a) is concerned, my question is "Is it a fact that the High Court of Calcutta remains closed for more days than it is open?" I do not understand what internal administration is involved in this part of the question and I would ask the Honourable Member to please explain this point.

**The Honourable Sir Harry Haig:** It is entirely a matter for the decision of the High Court as to the length of its vacation and the number of holidays.

**Mr. S. O. Mitra:** I merely wanted to know the information as to how many days the High Court remained closed, and the High Court being under the control of the Home Department they can easily supply this information.

**The Honourable Sir Harry Haig:** I have referred the Honourable Member to the list of holidays.

**Mr. K. O. Neogy:** Is not the High Court of Calcutta under the administrative control of the Government of India?

**The Honourable Sir Harry Haig:** It is in general under the control of the Government of India, but as I have said, the internal administration is vested by the law in the Court itself.

**Sir Abdur Rahim:** Is it the position of the Government that the High Court Judges may choose to sit as many days as they like or as few days as they like, and that the Government are helpless in the matter?

**The Honourable Sir Harry Haig:** I do not say that the Government of India are helpless in the matter. In fact, these questions were gone into, I suppose about ten years ago, by a special Committee which was appointed and considered the whole question very carefully, and such action as was considered suitable was taken in consultation with the High Court. My position is that I do not think that the Government at the present moment can take any further action effectively. All the points raised by my Honourable friend, Mr. Mitra, are very well known and have already been considered. But if it will satisfy my Honourable friend, I shall be very glad to forward a copy of his question and these answers to the High Court.

**Mr. K. O. Neogy:** Do I take it that the Honourable Member was referring to the Retrenchment Committee which was appointed in 1923 to go into questions relating to the Calcutta High Court and to make recommendations?

**The Honourable Sir Harry Haig:** Yes, Sir. That was it.

**Mr. K. O. Neogy:** Did Government have anything to do with this report?

**The Honourable Sir Harry Haig:** Yes, Sir. The Government had correspondence with the High Court on those conclusions subsequently.

**Mr. K. O. Neogy:** Are we not entitled to know as to the reason why Government have not given effect to certain recommendations of that Committee which would have led to economy in expenditure?

**The Honourable Sir Harry Haig:** I am afraid I am not acquainted with all the detailed recommendations of that Committee, but I understand that it submitted a long report. The matter is some ten years old, and I think I am right in saying that the recommendations were carefully considered in consultation with the High Court, and such recommendations as the Government of India considered reasonable to be adopted were adopted.

**Sir Abdur Rahim:** The Government, I believe, have rules as regards public servants, including the Members of the Executive Council, that so much leave should be allowed and so much furlough and all that, and, apart from that, no officer is entitled to absent himself from his duty. Does a different rule apply to the High Court Judges? That is the real position and I should like the Honourable Member to clear it up.

**The Honourable Sir Harry Haig:** My Honourable friend is apparently referring to the Court holidays. As I have already said, the determination of the Court holidays and the vacation, not only in the Calcutta High Court, but in all the High Courts in India, is left to the decision of the Courts themselves.

**Sir Abdur Rahim:** There are limits to that. Does the Honourable Member mean to say that the Government leave it entirely to the High Court to lay down what the length of any particular holidays or vacation should be? Is it left entirely to the discretion of the High Court?

**The Honourable Sir Harry Haig:** If the High Courts take any unreasonable action—and I do not think there are any grounds to suppose they would—the Government of India would certainly look into the matter. But I should like to clear up any misapprehension there may be on this subject. The duration of the vacation, as far as I know, has remained practically the same for many years, and I do not think that my Honourable friend will find that the vacation in Calcutta differs in its duration appreciably from the vacation in the other High Court of India.

**Mr. K. O. Neogy:** Is it not a fact that the Retrenchment Committee of 1923 suggested that there should be a larger output of work by the High Court, and further that the Court should sit on Saturdays on the Original Side to deal with *ex parte* cases and unopposed motions?

**The Honourable Sir Harry Haig:** That was certainly a question that was taken up very carefully between the Government of India and the High Court, and it was decided at that time that the High Court had given convincing reasons for not sitting on Saturdays.

**Mr. K. O. Neogy:** Is it not a fact that one other recommendation of that Committee was that the number of holidays should be curtailed?

**The Honourable Sir Harry Haig:** I am afraid I am not fully acquainted with the recommendations of the Committee, and if the Honourable Member wants detailed information on the subject, I should be glad if he puts down a separate question.

**Mr. K. C. Neogy:** Is it not a fact that the present Acting Chief Justice does not come to the Court on Wednesdays, but remains at home on the plea of doing office work?

**The Honourable Sir Harry Haig:** I am not aware of the internal working of the High Court, but, I am sure, the Honourable Member must be aware that there is a considerable amount of administrative work in the Calcutta High Court, and I am informed that that has grown considerably. I think in 1926 the High Court pointed out that the administrative work falling on the Chief Justice was very heavy and had grown considerably.

**Mr. K. C. Neogy:** Is the Honourable Member also aware of the fact that apart from being absent from Court on Wednesdays, the present Acting Chief Justice has entrusted certain administrative work pertaining to the Appellate Side to a Senior Judge of the High Court in an informal manner?

**The Honourable Sir Harry Haig:** As I have already explained to the House, the Government of India do not conceive that it is their duty to look into details of that kind.

**Mr. K. C. Neogy:** Supposing the idiosyncrasies of certain individual Judges or the Chief Justice amount to a scandal, do I take it that even then the Government of India are not prepared to take any notice?

**The Honourable Sir Harry Haig:** I do not suppose that my Honourable friend would commit himself to such a serious statement as that anything that the High Court Judges do, amounts to a scandal.

**Mr. K. C. Neogy:** Will the Honourable Member enquire from the Bar Association, Calcutta High Court, and the Bar Library Association about this matter, and may I also expect my Honourable friend to refer to the proceedings of the Bengal Legislative Council where some of these matters were referred to recently?

**The Honourable Sir Harry Haig:** I am not prepared to make any further enquiry. I have already said that I am prepared to forward a copy of these questions and answers to the Calcutta High Court.

**Mr. K. C. Neogy:** Does the Honourable Member like that these matters should be ventilated in the Press and unpleasant matters brought to the public notice which might lead to very undesirable results so far as the prestige of the High Court is concerned?

**The Honourable Sir Harry Haig:** I am afraid, I have not followed the purport of my Honourable friend's question.

**Mr. K. C. Neogy:** That is the only alternative that the Honourable Member has left to the public.

**The Honourable Sir Harry Haig:** My Honourable friend is ventilating these questions: I do not know what action he suggests that I should take in order to prevent him from asking these questions.

**Mr. Jagan Nath Aggarwal:** With regard to clause (f), the question suggests that there are no fixed hours in the Calcutta High Court and that the Judges do not observe any punctuality in their hours of attendance? Is it not a matter of public interest which should be inquired into by Government?

**The Honourable Sir Harry Haig:** I have no doubt that the Court have fixed their hours for work and that these are well known to the people concerned.

**WORK OF THE BOMBAY, BARODA AND CENTRAL INDIA RAILWAY DONE IN THE RAILWAY CLEARING ACCOUNTS OFFICE.**

768. **\*Mr. M. Maswood Ahmad:** (a) Is it a fact that in the Railway Clearing Accounts Office, the work of the Bombay, Baroda and Central India Railway is done by more clerks than is justified by the quota of expenses which that Railway contributes? If so, will Government please state why that Railway pays less when its work is more than what it pays for?

(b) Is the work of this Railway being done at the expense of other State Railways? If so, why is not the Railway asked to pay more?

(c) Do Government propose to ask the Bombay, Baroda and Central India Railway Company to pay their quota according to their work done in the Railway Clearing Accounts Office? If not, why not?

**Mr. P. B. Rao:** (a), (b) and (c). The whole question of the volume of work in respect of foreign traffic relating to the Bombay, Baroda and Central India Railway, as well as the contribution payable by that railway, is at present under investigation.

**PENALTY ON OFFICIAL LETTERS POSTED WITHOUT STAMPS.**

769. **\*Mr. M. Maswood Ahmad:** Will Government please state whether any penalty is realised on official letters posted, without stamps, i.e., on which postage is not pre-paid, from the addressees at the time of the delivery of those unpaid official letters? If not, why not?

**The Honourable Sir Frank Noyce:** No. The reason is that in some cases it is not considered advisable to entrust postage stamps to a subordinate official, who has to correspond with, or to send returns to, a superior while in others it is convenient or proper to make the postage charge fall on the receiving office.

**EXPORT DUTY ON SKINS.**

770. **\*Mr. M. Maswood Ahmad:** (a) Is it a fact that the Fiscal Commission recommended the examination by the Tariff Board of the question of export duty on skins?

(b) Did Government refer the matter to the Tariff Board?

(c) If the answer to part (b) above be in the negative, when do they propose to refer the matter to the Tariff Board?

**The Honourable Sir Joseph Bhoré:** (a) Yes, Sir.

(b) No, Sir.

(c) Government do not of their own motion propose to refer the matter to the Tariff Board.

**Mr. M. Maswood Ahmad:** Will Government be pleased to state the reasons why they are not prepared to refer this matter to the Tariff Board when it was recommended by the Fiscal Commission?

**The Honourable Sir Joseph Bhoré:** Because, Sir, they do not think that a *prima facie* case exists at present for such reference.

MEETING OF THE RICE CONFERENCE OF THE DIFFERENT PARTIES OF  
THE LEGISLATIVE ASSEMBLY.

771. **Mr. M. Maswood Ahmad:** Will Government please state when the second sitting of the informal Rice Conference of the different Parties of this House is likely to take place?

**Mr. G. S. Bajpai:** Government do not consider another informal conference to be necessary.

**Mr. E. S. Millar:** Are Government aware that the exports of Siam rice from the 1st January, 1934, to the 22nd March, 1934, to Ceylon totalled 7,794 tons and to India 62,198 tons and that the exports to India from the 1st January, 1934, to the 22nd March this year are practically the same as for the whole of last year?

**Mr. G. S. Bajpai:** According to the figures which are available to me, the exports from Siam to India from January to March are 54,000 tons and not 62,000 tons.

**Mr. E. S. Millar:** The figures I have quoted are taken from the export figures of the Siamese Government.

**Mr. G. S. Bajpai:** It is possible that they include shipments of rice, which were shipped in March, but have not yet reached India.

**Mr. F. E. James:** May I ask whether Government have received any reply from the Secretary of State with regard to the reference which the Honourable Member stated had been made to him recently?

**Mr. G. S. Bajpai:** We have received a communication from him, but that is in reply to a reminder from us asking him for the negotiations to be expedited, and the information that he has communicated to us is that His Majesty's representatives both in Paris and Bangkok have been requested to do their best and let us have their replies.

**Mr. M. Maswood Ahmad:** Will Government be pleased to let us have the replies from the representatives of the Siamese Government about the import of rice?

**Mr. G. S. Bajpai:** I shall state the result as soon as it becomes available to me.

**MEETING OF THE CENTRAL ADVISORY COUNCIL FOR RAILWAYS.**

**772. \*Mr. M. Maswood Ahmad:** In view of their promises to bring forward certain important matters before the Central Advisory Council for Railways, do Government propose to convene a meeting of that body before their move to Simla this year?

**The Honourable Sir Joseph Blore:** It will be highly inconvenient to convene a meeting before the end of the Session. Government hope that it will meet the convenience of all members of the Council if a meeting is held just before the next Session. It is the intention of Government if necessary, to have another meeting about the end of that Session.

**IMPROVING AND INCREASING THE BREED OF HORSES IN INDIA.**

**773. \*Sir Darcy Lindsay:** (a) With reference to the replies given to questions Nos. 76—78 in the Council of State on the 12th March last, will Government be pleased to state what further action they propose to take towards improving and increasing the breed of horses in India and the further encouragement of breeders in all suitable areas throughout the country?

(b) Are Government prepared to consider favourably the appointment of an expert committee to again examine the position, the previous investigation having been as far back as in 1900-01?

(c) With the information available to Government, are they aware of any reason, climatic or otherwise, why horse breeding on a large scale can not be equally as successful in India as it is in South Africa?

(d) Are Government aware of the value of the work undertaken by the National Horse Breeding and Show Society of India, of which His Excellency the Viceroy is Patron-in-Chief, in their efforts to expand the production of horses to meet general requirements? If so, are they prepared to arrange to restore to the society the small annual grant that was discontinued in 1932 due to great financial stringency?

**Mr. G. S. Bajpai:** (a), (c) and (d). I would invite the Honourable Member's attention to the replies given by me in this House, on the 14th instant, to Lieutenant Nawab Muhammad Ibrahim Ali Khan's questions Nos. 703 and 704.

(b) Government do not consider that the action suggested by the Honourable Member is called for.

**PROMOTION OF THE ROUTINE CLERKS OF THE RAILWAY CLEARING ACCOUNTS OFFICE.**

**774. \*Maulvi Muhammad Shafee Daoodi:** (a) Is it a fact that the present rules provide for the filling up of only five per cent of the new appointments in the clerical grade from among the routine clerks of the Railway Clearing Accounts Office, Delhi?

(b) If so, are the rules intended to mean that the routine clerks are to be confined to the grade in which they were appointed?

(c) Are Government aware that such rules mean a great hardship on those men who were appointed as routine clerks?

(d) Are Government aware that about two hundred young men are involved in this difficulty, about half of whom are matriculates?

(e) Is it a fact that representations of the routine clerks on this point have been duly forwarded by the Director, Railway Clearing Accounts Office, Delhi, to the Financial Commissioner of Railways for consideration? If so, what action has the latter taken on their representation?

(f) Are Government prepared to consider the cases of deserving routine clerks for promotion to the clerical grade without any reference to the five per cent. rule mentioned above?

**Mr. P. R. Rao:** (a), (b) and (c). I would refer my Honourable friend to the reply I gave on the 3rd April, 1934, to clauses (e), (f) and (h) of unstarred question No. 282, asked by Mr. S. G. Jog.

(d) There are about 110 punchers, sorters, distributors, etc. (Substantive or officiating) and 70 of them are matriculates.

(e) and (f). I would refer my Honourable friend to the reply I gave on the 3rd April, 1934, to clauses (a) and (d) of unstarred question No. 283, asked by Mr. S. G. Jog.

#### ALLEGATIONS AGAINST THE SUPERINTENDENT OF POST OFFICES, HAZARIBAGH DIVISION.

775. **\*Mr. D. K. Lahiri Chaudhury:** (a) Has the attention of Government been drawn to a complaint against Mr. S. A. Majeed, Superintendent of Post Offices, Hazaribagh Division, published in the March 1934 issue of the *Labour*?

(b) Is it a fact that he has retained one of the two reserve signallers of his Division in his office?

(c) Is it a fact that he has retained a cash postman of the Hazaribagh post office for his personal service?

(d) Is it a fact that he has used post office bags for carrying coal from Swriga?

(e) Are Government prepared to enquire about the allegations made in the complaint and inform this House of the result?

(f) How long has Mr Majeed been holding the charge of that Division?

**The Honourable Sir Frank Noyce:** (a) Government have seen the article in question.

(b), (c) and (d). Government have no information.

(e) No. Government are not prepared to take action on anonymous communications.

(f) Since 1st November, 1932.

## UNSTARRED QUESTIONS AND ANSWERS.

### ALLOWANCES PAID TO THE SUPERINTENDENTS OF POST OFFICES.

**383. Mr. S. G. Jog:** (a) Will Government be pleased to state for the information of this House, the rate of the travelling allowance allowed to the Superintendent of Post Offices on tour to inspect the Post Offices?

(b) Will Government be pleased to state whether it is a fact that the travelling and halting allowances paid to the Superintendent of Post Offices are to meet their expenses incurred in connection with their tour?

(c) If the answer to part (b) be in the affirmative, are Government aware that the officiating Superintendent of Post Offices, Bareilly Division compels the Post Masters and Sub-Post Masters of that Division to invite him to put up with them, free of lodging and boarding charges, when on tour to inspect Post Offices?

(d) Are Government aware that, and if not, do they propose to enquire whether there is a great sensation prevailing among the Sub-Post Masters of that Division who do not invite the Superintendent of Post Offices of the said Division to put up with them free of charge and as a result of which they are abused and troubled in many ways, viz., transfers and supersession?

**The Honourable Sir Frank Noyce:** (a) The rate of travelling allowance of a Superintendent of Post Offices is ordinarily that admissible to an officer of the second grade referred to in rule 17 (b) of the Supplementary Rules. He is entitled to draw mileage allowance for journeys by rail under rule 36 of the said rules and daily allowance up to a maximum of Rs. 4 as sanctioned in the Finance Department Resolution, dated the 9th November, 1933, published in the Gazette of India, dated the 11th November, 1933.

(b) Yes.

(c) and (d). Government have no information, but the Head of the Circle concerned is competent to deal with the matters referred to by the Honourable Member and a copy of this question is being sent to that officer.

### STOPPAGE OF RETRENCHMENT OF SIKHS IN THE PUNJAB POSTAL CIRCLE.

**384. Sardar Sant Singh:** (a) Are Government aware that the Postal authority in the Punjab Circle in carrying out the orders issued by the Finance Department, Government of India, have been retrenching their officials according to seniority and not according to the principle that first of all most junior, then inefficient and undesirable, and lastly those who have put in full service should be retrenched? If so, why?

(b) Are Government also aware that in the Postal and Railway Mail Service Punjab Circle many senior men are being retrenched in preference to inefficient and undesirable clerks? If so, why?

(c) Are Government further aware that the Sikhs who have not yet completed their service and who have got their good record of service, are being retrenched in preference to those who have completed their service or those who are inefficient? If so, on what grounds?



(d) Are Government further aware that the Sikh representation in the Punjab and North-West Frontier Postal and Railway Mail Service Circle is very negligible and far below the required ratio?

(e) Are Government prepared to order the stoppage of the retrenchment of the Sikhs and also to recruit more Sikhs in all future vacancies in the Punjab and North-West Frontier Postal Circle until the due share is obtained by the Sikh minority? If not, why not?

**The Honourable Sir Frank Noyce:** (a) and (c). The Honourable Member is referred to the reply given to parts (a) and (c) of his own starred question No. 549 in this House on the 27th March, 1934.

(b) No.

(d) The reply to the first part is in the negative. As regards the second part, no ratio for the representation of Sikhs or any other community in the service has been prescribed.

(e) The reply is in the negative. In this connection, the Honourable Member is referred to the replies given in this House to his own starred questions Nos. 1067 to 1069 on the 30th March, 1932, and to Seth Haji Abdoola Haroon's starred question No. 365 on the 20th February, 1933.

#### THEFT OF ELECTRIC CURRENT BY GOVERNMENT SERVANTS IN NEW DELHI.

**385. Sardar Sant Singh:** (a) Will Government please state what procedure is adopted in dealing with Government servants against whom a report is received from a Municipal Committee or some private bodies for an alleged theft of electric current or some other article?

(b) Has there been any case under the Government of India, and particularly the Central Public Works Department, since January, 1932, where Government suspended and ultimately dismissed their employee on a charge preferred by a Municipal Committee? If so, what were the circumstances of such case and why was such an action taken by Government?

(c) Is it obligatory upon Government to dismiss their employee even when the alleged charge of theft of electricity or some other article, brought forward by a Municipal Committee or private body, falls through and particularly when the police enquiries show that there was no truth in the case?

(d) Will Government please state if any case or cases have occurred wherein Government have dismissed their employees, permanent or temporary, on the report of the New Delhi Municipal Committee, for the alleged theft of electric energy since the year 1932?

(e) Was such a case or cases reported to the police for investigation? If so, what were the results of the police enquiry?

(f) Were the accused in such cases *challanned* by the police? If *challanned* what punishments were inflicted by the trying courts in each case?

(g) If the case or cases were not *challanned*, why did Government institute a departmental enquiry and then dismiss the official?

(h) Is it a fact that the head of the Department himself happened to be the President of the New Delhi Municipal Committee, and that in that capacity he first reported the matter to the police, and as nothing was established against the officials in that way, he got rid of the officials as they happened to be his subordinates?

**The Honourable Sir Frank Noyce:** (a) The procedure ordinarily adopted is indicated in the Code of Criminal Procedure, 1898.

(b) One case has occurred since January, 1932, in which a Government servant was suspended and ultimately removed from service on a charge preferred by a Municipal Committee. The Government servant belonged to the Central Public Works Department. The circumstances were as follows:

The Government servant was a temporary electrical subordinate occupying Government quarters in New Delhi. In June, 1932, it was reported by a Meter Inspector, that he had stolen electric energy, and he later admitted to the Electrical Engineer of the New Delhi Municipal Committee, that he had done so. The case was reported to the police, but before the investigation began the traces of the offence had been removed, and the police considered that the case should not be taken to court.

In September, 1932, the acting President of the Municipal Committee reported the case to the Chief Engineer, and expressed the opinion that there was sufficient evidence to support a charge against the offender.

The Chief Engineer, accordingly, suspended him and after a regular enquiry ordered his removal from service with effect from the 28th February, 1933.

The Chief Engineer's action was justified by the consideration that a Government servant, who has committed a theft, is not fit to be retained in service.

(c) No.

(d), (e) and (f). The only case is that dealt with in the reply to part (b) above.

(g) I would remind the Honourable Member that Government is not bound to retain a dishonest employee in service, and that the man concerned in this case was an Electrical Subordinate, a fact which aggravates his offence.

(h) No. The acting President, when the theft occurred, was Mr. Russell. The Subordinate was suspended by Mr. Brebner, who also ordered the departmental enquiry. Final orders were passed by Mr. Jones.

#### SUPERVISORS AND CLERKS IN THE SAVINGS BANK DEPARTMENTS OF THE DELHI AND HOWRAH POST OFFICES.

386. **Mr. D. K. Lahiri Chaudhury:** Will Government be pleased to state the number of (i) selection grade supervisors, and (ii) clerks, in the Savings Bank Departments of the Delhi Post Office and of Howrah Post Office?

**The Honourable Sir Frank Noyce:** In the Savings Bank Department of the Delhi Head Post Office, there is one selection grade supervisor and the number of clerks is seven. As regards the Howrah Head Post Office, there is no selection grade supervisor in the Savings Bank Department, and the number of clerks in that Department is five.

### INCOME AND EXPENDITURE OF CERTAIN POST OFFICES.

387. **Mr. D. K. Lahiri Chaudhury:** Will Government be pleased to furnish a statement showing the income and expenditure of the following post offices:

Mal, Nagrakata, Dinbazar, Barjuli, Mekhiganj, Oating, Imphal Solanghat, Killa Abdulla, Killa Saifulla, Mekhter, Chaman, Landikotal and Landikhana?

**The Honourable Sir Frank Noyce:** Government regret that they are unable to furnish the information as its collection would involve an undue expenditure of time and labour.

### COMMUNAL COMPOSITION OF MEN CONFIRMED IN THE RAILWAY CLEARING ACCOUNTS OFFICE.

388. **Mr. M. Maswood Ahmad:** Will Government please state the total number of men by communities confirmed in the Railway Clearing Accounts Office from 1st January, 1933, to 29th March, 1934?

**Mr. P. E. Rau:** I understand that 22 temporary men were confirmed in the Railway Clearing Accounts Office between the 1st January, 1933, and 29th March, 1934, of whom 18 were Hindus, three Muslims and 1 Anglo-Indian and that five vacancies for recruitment from minority communities have been left unfilled.

---

### MESSAGE FROM THE COUNCIL OF STATE.

**Secretary of the Assembly:** Sir, the following Message has been received from the Council of State:

"I am directed to inform you that the Council of State has, at its meeting held on the 17th April, 1934, agreed without any amendments to the Bill passed by the Legislative Assembly at its meeting held on the 11th April, 1934, to protect the Administrations of States in India which are under the suzerainty of His Majesty from activities which tend to subvert, or to excite disaffection towards, or to obstruct such Administration."

---

### THE SUGAR (EXCISE DUTY) BILL.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The House will now resume consideration of the Sugar (Excise Duty) Bill—clause 3.

**Mr. T. N. Ramakrishna Reddi** (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): Sir, I beg to move:

"That to sub-clause (1) of clause 3 of the Bill the following proviso be added:

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

Sir, the Select Committee has already approved of this principle, and in paragraph 2 of the majority report, they have clearly stated that the surcharge

"Should become merged in the import duty and no longer be regarded as a temporary emergency addition, and also that if any proposals are made for the reduction of the existing rate of import duty the Legislature should be given an opportunity simultaneously to review the excise duty."

Again, in the minority minute of dissent, in paragraph 4, they have again stated:

"We consider that Government should be under an obligation not to do anything without the approval of the Legislature to vary their declared policy of maintaining the difference between the import and excise duties at the level recommended by the Tariff Board."

Sir, Government have clearly admitted that they should keep up the duty at the figure which is given by the Tariff Board, and I am only asking that this clause should be embodied in the Bill itself instead of allowing it to be in the minutes of the Select Committee. That is all that I am asking. It only means that the Rs. 1-13-0 which is now the surcharge will now become merged in the protective duty, so that, when the surcharge is removed after some time when the revenues of the Government of India justify that such removal is necessary, then the surcharge will remain as it is without being removed along with the general removal of surcharge. I think Government will have no objection to accept this.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That to sub-clause (1) of clause 3 of the Bill the following proviso be added :

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

**Mr. Jagan Nath Aggarwal** (Jullundur Division: Non-Muhammadan): Sir, I have also an amendment to sub-clause (1) of clause 3. Would I be in order in moving it now?

**Mr. President** (The Honourable Sir Shanmukham Chetty): It is the same as this one. If this is negatived, then that also goes out. The Honourable Member can speak on this.

**Mr. Jagan Nath Aggarwal**: Very well, Sir. I have much pleasure in supporting the amendment just moved by my friend, Mr. Reddi. The reason why I do so is because it is put down in the Report of the Select Committee that "it is implicit in the present proposals that the surcharge should become merged in the import duty", and that nothing will be done to touch the surcharge so long as this duty is to continue. In other words, where the Tariff Board originally proposed an import duty of Rs. 7-4-0 per cwt. owing to emergency legislation and extraordinary circumstances, a surcharge of 25 per cent was levied, which increased the import duty to Rs. 9-1-0, and the duty has remained from September, 1931, at that figure, so that, instead of the amount of protection which was envisaged by the Tariff Board, we are at present enjoying protection of Rs. 9-1-0, and the present excise duty, whether it be one rupee or

[Mr. Jagan Nath Aggarwal.]

Rs. 1-5-0, is on the basis that the sugar industry is enjoying protection of Rs. 9-1-0. Now, Sir, if the import duty stands at Rs. 9-1-0, then the industry has a certain margin of protection, and under that it will be able to sell sugar in the Indian market free from competition from Java. It is a matter of doubt whether even the present parity of prices in Java will be sufficient to ensure to the manufacturer of sugar that margin of Rs. 7-12-0 which we are told is secured to the manufacturer. It is a matter which we will have to go into at a later stage, but my submission is that if the present duty stands at Rs. 9-1-0, and if at some future time the surcharge is removed, the whole structure will be upset. I, therefore, submit that the Select Committee in paragraph 2 of their Report have said:

“We consider that it is implicit in the present proposals that the surcharge should become merged in the import duty and no longer be regarded as a temporary emergency addition, and also that if any proposals are made for the reduction of the existing rate of import duty the Legislature should be given an opportunity simultaneously to review the excise duty.”

Therefore, Sir, the proposition, to which hardly any objection can be taken, is that the surcharge of 25 per cent, which is otherwise a temporary and additional duty, is practically a part of the duty which is secured to the industry, and so long as this addition remains, this excise duty will remain. I would, therefore, submit that my proposal or Mr. Reddi's proposal would serve the same purpose, and that which is called “implicit in the present proposals” in the Report of the Select Committee, which is otherwise taken for granted, I say, should be put down in the Bill itself.

**The Honourable Sir George Schuster** (Finance Member): Sir, I do not think that there is any quarrel between us on this side and the Honourable Members who have spoken as to what the position should be, but I am afraid that I could not accept the amendment standing in the name of my friend, Mr. Reddi. In the first place, I do not think really it is very clear. I do not quite understand myself the significance of the words “countervailing import duty”. I do not see what added security those words would give to the position as it stands in the Bill as drafted and as interpreted by our statement what our position is.

There is another point to which I must call attention. Our position is that the measure of protection is to be calculated by deducting the excise duty from the import duty. Therefore, at present if you take Rs. 1-5-0 as we propose from Rs. 9-1-0, that leaves a difference of Rs. 7-12-0. That represents the measure of protection recommended by the Tariff Board when Java sugar is selling at a price below Rs. 4 a maund in Calcutta. If the price of sugar were to go up above that rate, it will be consistent with the policy that we have adopted to reduce the margin again from Rs. 7-12-0 to Rs. 7-4-0 which was the basic duty recommended by the Tariff Board, and we cannot depart from that position. We have taken our stand on the Tariff Board's recommendation, and we intend to remain in that position. Therefore, that is one factor which has got to be taken into account. But, apart from that, there need be no ambiguity at all on this matter, the Government regard themselves as bound to maintain a difference between the excise and import duties which represents the measure of protection recommended by the Tariff Board. The Government will certainly not vary that position without the approval of the Legislature. That, I think, Sir, should satisfy my friend.

**Mr. Jagan Nath Aggarwal:** Will the Honourable Member accept my amendment? It is only a matter of verbal change.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The effect of that would still be the same.

**Mr. Jagan Nath Aggarwal:** I thought objection had been taken to the words "countervailing import duty" suggested by my friend, Mr. Reddi, and that the Honourable the Finance Member was prepared to accept my amendment in the manner I have put it.

**The Honourable Sir George Schuster:** Sir, I must apologise for not dealing with that amendment. It really escaped my notice. I am afraid that I cannot accept that amendment in that form. Again, it seems to me to be unnecessary, and we should certainly object to a provision stating that this Act shall only remain in force so long as the duty on imported sugar together with the surcharge, etc., remains at Rs. 9-1-0. I have already given one reason. There might be a variation of Re. 0-8-0 if the price of sugar went up, and what I have said, I think, amply covers the position. We make it quite clear that we will not depart from the Tariff Board's recommendation without the approval of the Legislature. I think that is all that my friend need ask for.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That to sub-clause (1) of clause 3 of the Bill the following proviso be added: 'Provided that the surcharge of Rs. 1-13-0 per maund shall henceforth become a countervailing import duty.'"

The motion was negatived.

**Mr. T. N. Ramakrishna Reddi:** Sir, I beg to move:

"That to sub-clause (1) of clause 3 of the Bill the following proviso be added: 'Provided that the factories created and worked during the current year, namely, 1933-34, shall be exempt from paying the excise duty.'"

Sir, my reason for moving this amendment is this. The factories that have been in existence prior to 1933-34 and have been working have made certain profits, and even after levying this excise duty they might be in a better position to stand the strain. But the factories that have been erected this year, in the hope that there would be no excise duty, would be put to a very heavy loss. No doubt, the Finance Member in his speech has given us a hint that the surcharge is not going to be a permanent thing, that it might be removed any time when the finances of this country justify its removal, and that the factory owners should not bank upon this surcharge for a long time. But, Sir, we must also allow for the frailties of human nature. Human nature expects things to remain as they are and the factory owners and industrialists would like to make as much profit as possible, on the principle of the ancient adage "make hay while the sun shines", and, therefore, I want that the factories established this year should be exempted for this year, so that they might make some profit and stand the strain hereafter . . . .

**Mr. Bhuput Sing** (Bihar and Orissa: Landholders): Your amendment says for all time. Do you want to accept it for ever?

**Mr. T. N. Ramakrishna Reddi:** My point is only for 1933-34.

**Mr. M. Maswood Ahmad** (Patna and Chota Nagpur *cum* Orissa: Muhammadan): But the wording in the amendment does not say so.

**Mr. T. N. Ramakrishna Reddi:** If the Chair has no objection to amend it so as to make it applicable for one year, I think. . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member wants the Chair to give effect to his intention?

**Mr. T. N. Ramakrishna Reddi:** I hope you will permit me to make this amendment and that there will be no objection to it.

**Mr. President** (The Honourable Sir Shanmukham Chetty): What is the wording that the Honourable Member wants?

**Mr. T. N. Ramakrishna Reddi:** The amendment should read thus:

"Provided that the factories created and worked during the year 1933-34 shall be exempt from paying the excise duty for one year."

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That to sub-clause (1) of clause 3 of the Bill the following proviso be added:

'Provided that the factories created and worked during the year 1933-34 shall be exempt from paying the excise duty for one year.'"

**Mr. Muhammad Yamin Khan** (Agra Division: Muhammadan Rural): From what date is the year to be counted? That ought to be in the amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The next amendment of Seth Haji Abdoola Haroon is somewhat similar to the one proposed by Mr. Ramakrishna Reddi in some respects. Probably he can also move his amendment and discussion can take place on both the amendments.

**Seth Haji Abdoola Haroon** (Sind: Muhammadan Rural): I beg to move:

"That to sub-clause (1) of clause 3 of the Bill the following proviso be inserted:

'Provided that no duty shall be levied on the sugar produced by the factories during the first two seasons of their establishment:

Provided, further, that sugar factories in North Bihar affected by the earthquake shall be exempted from the duty till 31st August, 1934.'"

I shall be brief in my remarks. Though it might be said that everybody is making profits, I may give an example. When my Honourable friend, Lala Hari Raj Swarup, started his factory, I do not think he crushed in the first year more than four or five lakhs of cane though the capacity of the mill is 13 lakhs of maunds of cane, and, as Mr. Srivastava suggested, in his opinion the average is 18 lakhs of cane. On this side of the country, from Delhi to Saharanpur, there is one factory, I think it is called Mehadampur factory, and that could not crush more

than three or four lakhs of maunds of cane this year. I saw the engineer of another factory called Abdullapur, and I asked him as to how many maunds of cane he had crushed in the first year. He said 25,000 maunds.

**Sir Muhammad Yakub** (Rohilkund and Kumaon Divisions: Muhammadan Rural): What about the Haji Abdoola Haroonpur factory?

**Seth Haji Abdoola Haroon:** I am ready to give the figures of my mill if you like. My factory is equipped not for 400 tons, but for 900 tons, and we have crushed more cane than these people have done. But I have not crushed more than 55 per cent of the quota, because there are a lot of things in connection with a sugar factory. People think that the sugar industry is a very simple one, and that the factory owners are making lakhs and even crores. But this is a very technical industry, not only on the manufacturing side, but also on the organisation side. In my factory, we require 30,000 tons of cane daily, and you can imagine how many carts will be required for these 30,000 tons of canes. 1,000 maunds of cane require at least 60 carts. Again, we have to collect from long distances, and, in my factory, 2,000 people are engaged in bringing in all these canes, and so on. In the first year, when we were inexperienced, we did not know how to work the thing efficiently.

Government can bring in any Bill. They want money and they can give any arguments they like. They can say what they like, and we have no power to inflict defeat on the Government. We are laymen, and we have not an army of Secretaries or an army of typists and stenographers. Besides, there is a difference of opinion in this House. Some are for the agriculturists, some are for getting better prices for the cane, and so on. But I may tell my Honourable friends that next year they will find all sorts of difficulties on account of this excise duty. In my opinion, next year, at least 25 to 30 per cent less of cane will be crushed.

**Sir Muhammad Yakub:** If you are a layman, how do you know all these things?

**Seth Haji Abdoola Haroon:** I know all this, because of the excise duty, according to the figures presented to us, the factories will hardly get three or four per cent. We merchants and businessmen adjust ourselves according to circumstances, and when we find we do not get ten per cent, we try to crush less cane and get a good percentage of sugar. In my opinion, the sugar factory in the first year cannot work efficiently and properly. In the second year, it might adjust itself to meet the requirements and necessities of running the mills. Therefore, I propose that in the case of factories started newly, and working for two years continuously, the duty should not be levied. Besides that, there is one other point. Yesterday, the Finance Member said that if any factory in Bihar was affected and if the Local Government recommended its case, it would be considered. I do not know what will be the proper way, whether they should apply to the Bihar Government or to the Finance Member. Some factories start working after two or four or six weeks. I cannot understand how this point can be settled, as to which factory should be given facilities, and in what way. The Honourable Member must make it clear to whom we should apply—to the Bihar Government or to the Government of India. He must tell us clearly, so that we can understand. With these remarks, I move my amendment.



**Mr. President** (The Honourable Sir Shanmukham Chetty): Further amendment moved:

"That to sub-clause (1) of clause 3 of the Bill the following proviso be inserted:

'Provided that no duty shall be levied on the sugar produced by the factories during the first two seasons of their establishment:

Provided, further, that sugar factories in North Bihar affected by the earthquake shall be exempted from the duty till 31st August, 1934.'

**Mr. Gaya Prasad Singh** (Muzaffarpur cum Champaran: Non-Muhammadan): Sir, I have got every sympathy with the object of this amendment, but there are one or two points which I should like to be cleared up before I give my assent to it.

The first part of the amendment means that if a factory is in a position to make sugar, then the quantity would be so small in the first year, and the amount of expenditure involved in starting the mill would be so great, that the factory will not be in a position to make any profit, and, therefore, it will be inequitable to impose any excise duty on the sugar produced. If that is the object of the amendment, then it ought to commend itself to the sympathy of Government and Honourable Members.

As regards the second part of the amendment, I want to know if a particular sugar factory in the affected area of North Bihar has been put out of operation for the time being and it is not in a position to produce any sugar, whether any excise duty can be levied. If during that time the factory has produced sugar, then only the excise duty will be levied on the quantity produced, but if it is out of action and no sugar is produced, then this excise duty will not be levied. That is the point which I want to be cleared up before I give my assent to the amendment.

Many factories in North Bihar have been badly affected and the Government of India have been showing active sympathy and I would like to say that whatever relief by way of remission of excise duty and in other ways is to be given must be given to the sufferers of North Bihar. Now, for instance, my friend, Mr. Haroon, has got a factory in North Bihar. This factory has been temporarily out of action on account of the earthquake, and if that factory is not in a position to produce sugar, then *ipso facto* no excise duty will be levied.

**Seth Haji Abdoola Haroon**: You are correct. What I am saying is that, on account of earthquake, many factories have gone out of action. From the 1st of April or the middle of March and from the middle of April they have started again and they have commenced to produce sugar. If it is out of action completely, then there can be no levy, but if it has started after spending so much money on the factory, it has to pay the excise duty. That is my point.

**Mr. Gaya Prasad Singh**: My point is not fully explained by the explanation of my friend, Mr. Haroon. If the factory is out of action and no sugar is produced, then obviously no excise duty will be paid. It is only in the case of those factories which have been temporarily out of action, but which, after the 1st of April, are in a position to produce some sugar, then the excise duty should not be levied in consideration of the fact that they have to incur expenditure in restoring their factories to the original working condition. That is my friend's point. That is a laudable object. If a factory has been rendered out of action and if Government have afforded it assistance either from the Viceroy's Relief Fund or otherwise, and money

has already been provided for the restoration of the factory, then I should like fully to understand how the sugar produced in that factory can be exempted, because, whatever damage was suffered, was made good out of the relief fund. If the factory is out of action and has not been restored to the original working condition, then it is equitable and fair and just that some concession ought to be given in the matter of levying the excise duty, and those mills affected will be at liberty to apply for relief, and I hope that Government will be pleased to give the relief in some way or other.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Will the Honourable the Finance Member explain the position about the North Bihar factories?

**The Honourable Sir George Schuster**: As you have asked me to explain the position, perhaps it will save a certain amount of time if I do so. I take it that you do not want me to reply to the general discussion. I made Government's position clear yesterday, and I am afraid I cannot go any further than that. We should certainly object to any wholesale indiscriminating provision of this kind which would exempt all factories in North Bihar. Several questions have been asked. First of all, I made clear that the cases which we could consider must be cases recommended by the Provincial Government. Obviously, therefore, if there is to be any application for special treatment of this kind, it must in the first place be made to the Provincial Government and not to the Government of India. Now, Sir, I cannot give any more precise statement than I gave yesterday. If there is to be any special exemption given, it must be discretionary, given according to the circumstances of the case. One might perhaps take a quite obvious case to illustrate what I have in mind. Supposing you had a factory working within the affected area, able to continue its work, but unable, owing to the interruption of transport communications, to get trucks or other facilities for using its sugar. Then, I take it, we might take into account the fact that, in normal circumstances, that factory would have been able to get rid of its normal monthly production in March, and if that was held up, that might be a ground for special consideration. That would have to be interpreted very strictly, because we cannot take into account the possibility that that factory might have been able to work at an abnormal rate of production during March and have anticipated the imposition of the excise duty and got rid of all its sugar before the 1st of April. That would be a clear case. I would not like to go any further than that. As regards factories which have been completely destroyed by the earthquake, those, of course, as my Honourable friend, Mr. Gaya Prasad Singh, has pointed out, would not normally be paying any excise duty at all, but it is possible that a factory of that kind might have had a stock of sugar on hand when the earthquake came and might have been unable to get rid of that stock before the 1st April. That would be a clear case for special treatment. We certainly would not seek to levy an excise duty on sugar produced before the earthquake which for one reason or another the factory had to retain in its own precincts. Sir, I think that deals with all the points raised.

**Diwan Bahadur A. Ramaswami Mudaliar** (Madras City: Non-Muham-madan Urban): Sir, on the second reading of this Bill, I propose that at least for one season the factories may be exempted from this duty; that is to say, that factories, which produce their first-season sugar, may not have this excise duty levied on them. The reason why I propose that is this.

[Diwan Bahadur A. Ramaswami Mudaliar.]

A new factory coming into existence has got various difficulties and handicaps which the older factories are not suffering from. In the first place, as my friend, Seth Haji Abdoola Haroon, has pointed out, the question of getting sufficient sugar-cane for crushing purposes is really a difficult question, and a new factory established for the first time may not be in a position to command as much sugar-cane as it could crush, owing to the fact that it has not established a clientele for this purpose. In the second place, even granting it does get the sugar-cane required, its marketing operations have yet to be opened out and it may not be in a position to market as much sugar as other concerns which are well-established and which have cornered the market. It is in the position of an interloper which has to secure markets which are already held by other concerns of long standing, and these two handicaps will be rather heavy with any industry set up for the first time: I suggest that when an excise duty like this is to be levied—not indeed on the amount of sugar sold, because that is not the proposal, but on the amount of sugar produced by a factory—I suggest that it would be only fair that for the first season these factories should be exempted and they should come under the operation of the excise duty only in so far as the sugar produced in later seasons is concerned. To that extent I support the amendment of my friend, Mr. Ramakrishna Reddi. I do not want exemption for two seasons, but I propose that the exemption should be for the first season, which, I take it, is the proposal of my friend, Mr. Ramakrishna Reddi.

Sir, I hope the House will take a fair view of industrialists and capitalists in this matter. My own purpose is to see that justice is done to them and not that they are given adventitious aids which enable them to have large profits. Secondly, as regards the Bihar position, I am very sorry, my friend, Mr. Gaya Prasad Singh, has not been able to understand the position. If a Bihar factory has been completely out of action throughout the present season, which ends on April 15th or May 1st then of course he is quite correct. No question of sugar production arises and, therefore, no question of duty arises; but I understand that that is not the position with reference to most of the factories.

Let us take two groups of factories—factories which were affected by the earthquake and factories which were not affected by the earthquake. In the case of the factories affected by the earthquake, they have been temporarily out of action. They were not able to use their machinery for a certain period. That is admitted. They have been unable to re-start their machinery for two months probably, and, therefore, the amount of cane crushed in their case is smaller than the output for the whole season, proportionately. The fundamental basis on which this excise duty is arrived at is this. If a factory is able to crush so many lakhs of maunds of sugar-cane, then its output would be so much, and, therefore, it is able to sell at such and such a price and to make such and such profits. Therefore, what is to be taken into consideration is not merely whether the factory is working and producing any sugar at all, but whether it is in a position to work for so many months and produce such a minimum amount of sugar or crush such a minimum amount of sugar-cane. If that fundamental basis is absent, then the margin of profit immediately falls to the ground. You have to provide for depreciation of your machinery, you have to provide for various other things. The margin of profit comes in only when you are in a position to crush eighteen lakhs of maunds of sugar-cane, as the Sugar Technologist pointed out in the Select

Committee. Now, it is obvious that a factory which has been disturbed and which has been kept out of its working order for a period of six weeks or two months, owing to the earthquake, can never do that. In that case, the amount of sugar that it has produced is very much lower. Therefore, the total profit it can earn is very much smaller. It may sell sugar at the same price as before, but the margin of profit will be very much lower,—in fact the margin of profit would have disappeared in many cases, because the depreciation and other charges remain constant. They are not affected by the earthquake or by the stopping of the machinery from working. Many other charges are constant. The working charges will be proportionately lower, but the fixed charges which have to be paid must be paid even during the period when the factory is not working. Therefore, with the lower output of sugar, the margin of profit is wiped off, and where are you going to get the Rs. 1-5-0 excise duty from these factories? That is the first category of factories which have been affected by the earthquake.

Now, take the second class of factories—those which have not been affected by the earthquake, but, even with reference to these factories, the same argument holds good, because they have not been able to work throughout the season. In the first place, they were not able to get sugar-cane all through the term. You know very well that the production of sugar-cane has suffered in Bihar and Orissa. They had to wait a long time before the sugar-cane could come through in the railway trucks which, thanks to Sir Guthrie Russell and others, the railway authorities have been able to send to these factories, and, therefore, they also have been compulsorily forced to close down their factories even though the latter have not been affected by the earthquake and even though they are in good working order all the time, and, therefore, the same reasoning applies. The smaller the output, the smaller the margin of profit, and the more inequitable will it be to charge those factories excise duty on the production of sugar when they have really made no profit whatsoever. Therefore, I should have thought—and I do hope that my friend, Mr. Gaya Prasad Singh, will see this—that so far as the factories in Bihar and Orissa are concerned, whether they have been strictly affected by the earthquake, in which case their position is worse, or they have not been affected by the earthquake, in which case even they were not able to work all through the year, it is perfectly legitimate to argue that they deserve separate consideration. It is not a question whether factories affected by the earthquake are going to get more money from the Viceroy's Earthquake Fund, and so on. That is not the issue at all. Apart from that, leaving aside that basis altogether, I say that if you see that a factory has been put out of action for six weeks or two months according to your own experts' calculations, then the output from the factory is smaller, and when the output is smaller, the margin of profit is wiped out; and, therefore, you cannot, in equity levy an excise duty on the sugar produced from these factories. Therefore, on both these grounds, I think it is a fair proposal that for the first season the factories should be exempt, and that, so far as Bihar and Orissa factories are concerned, the sugar excise duty may be levied from a later date as proposed by my Honourable friend.

I would only like to say one thing more. Repeatedly the Honourable the Finance Member has pointed out that he has no resources  
 12 NOON. up his sleeve, and therefore, he must get his money from every source that he is trying to tap. If he does not get this money, then there will be serious trouble with reference to the subventions or other things that he proposes to pay to different Provinces. Sir, it is only this morning

[Diwan Bahadur A. Ramaswami Mudaliar.]

that we read the statement of the Budget by the British Chancellor of the Exchequer. The Chancellor of the Exchequer made it quite clear that, so far as he was concerned and the budget of the British Government was concerned, he was making no provision at all for the reparation of the war debts. He was making no provision on the expenditure side, nor was he making any provision on the revenue side. Last year, when my Honourable friend introduced his Budget, I pointed out that the British Government were unlikely to make any provision at all of these things except probably a token payment. They were not certainly going to budget for a receipt from the various dominions and from India with reference to these amounts, and, therefore, it was not right that a provision of 50 lakhs of rupees should be made in our Budget for this payment. I did not know at the time that I was going to be such a good prophet, because that is exactly what has happened in spite of the fact that my Honourable friend, the Finance Member, did not accept my line of reasoning then. He pointed out when he gave us the statement that it was necessary to pay that amount, and, therefore, to that extent he got the benefit of it. I say, again, now, on better authority than I had last year, that there is no need for the provision at all in this year's Budget, because the British Government have not made a provision on its revenue side for the receipt of this amount either from India or from any of the dominions, and anybody who knows this matter would feel perfectly certain that when they have not made a provision this year for receipt side, they are not going to come down on us in the middle of the year and ask for such a payment to be made. They might have done so if only India was concerned, but when the Budgets of the other dominions have been framed on that basis, they dare not come down on us in the middle of the year and say "we have changed our mind, please make the necessary contribution". Therefore, we are in a happy position, and there is no need for the 80 lakhs which my Honourable friend has provided for the payment of war debts. I am now showing to him at least one source to which he can resort if this duty does not provide all that it seeks to provide. But it is unnecessary to go into such large figures. I do not think the amount of the duty that will be lost will come up to very much. The factories which will work for the first season are only very few. Their number is not more than 11. The amount of sugar that will be manufactured in these factories will be a limited one, and my Honourable friend is not likely to lose much if he accepts this amendment. Moreover, he is prepared to treat the Bihar and Orissa factories individually. All that I suggest is that instead of putting them into the awkward position of going to the Provincial Governments and then coming up to the Government of India and trying to satisfy subordinate and petty officials on the one hand and high officials on the other, this House may say that having had this distress on them for reasons, which are beyond their control, having had a visitation from God, let them have the privilege or the satisfaction that this House has taken a sympathetic attitude in their case, and that, both in the interests of the factories and the sugar-cane growers, till the first August they will not have this duty laid on them. That is all this House tries to seek.

Sir, I would make one earnest appeal to the Honourable the Finance Member. I make no personal observations of any kind at all, but I do venture to think that if occasionally he tries to see the other side of the case dispassionately, he would not lose much either financially or in relation to those industries with whom he has got to deal. If I were in the position

of giving advice to him, which, unfortunately, I am not, under the present Constitution, I would certainly suggest that it is in the interests of the Government and in the interests of the industry concerned to take a view of the case which, while not sentimental, may look fair to the industry itself. It is not consciousness of the rectitude of your own purpose, nor is it the consciousness that, after examining all the figures, you have decided on the right thing, but I think you should go further and try to convince your opponents that they are wrong and you are right. I venture to state, after having listened to a number of speeches from the Finance Member, both in this House and in the Select Committee, that he has not done that so far as this industry is concerned. I need only say that I have no sort of interest in this industry, but, having studied the case, I do feel that a certain amount of bending down of the Finance Department in this matter will not be unfair to the industry. Sir, I support the amendment of my Honourable friend, Mr. Ramakrishna Reddi, and the second proviso of the amendment of my Honourable friend, Seth Haji Abdoola Haroon.

**Mr. K. P. Thampan** (West Coast and Nilgiris: Non-Muhammadian Rural): Sir, I rise to support the amendment moved by my friend, Mr. Reddi. I do not know the number of new factories in Upper India, but I do know that there are certain companies in Madras which have just started their business or have ordered machinery with a view to starting manufacture of sugar. Sir, they had not the remotest idea of being saddled with an excise duty of this kind when they placed their orders for the machinery. I am sure, my Honourable friend, Mr. Reddi, will have no objection if the amendment were changed in such a way that orders given for the purchase of machinery, prior to the date of the introduction of the Bill in this House, should be made the criterion for the exemption of the payment of the duty. There are certain companies which ordered their machinery in the month of February before the Honourable the Finance Member announced the proposal to levy this excise duty. Those that started working last year were not able to turn the corner. Such cases may be exempted from the operation of this Bill.

Then, Sir, there is another aspect of the question which ought to be considered. The exemption of these companies for one year will not materially affect the financial plans of the Government; because the Government have not, in calculating the probable revenue for the next year, taken into account the output of these new companies. That is an argument in their favour. It is under the fostering care of the Honourable the Finance Member that these factories have been started. So it is up to him to treat these factories with a generous and kind attitude. I appeal to him to consider all these aspects and see if he can exempt these new factories for a period of one year. With these words I commend the amendment for the acceptance of the House.

**Mr. F. E. James** (Madras: European): Sir, I would like to express my position with reference to this proposal very briefly. In the first place, the first proviso would, in effect, exempt from duty a very large number of factories. In the Select Committee, we were supplied with a list of factories according to the Provinces which worked for the first time in 1933 and 1934. And, as the scope of this proposal would cover two seasons, there would still be a large number to be added to that list. Therefore, this would have, from the revenue point of view, probably a more serious effect than even the proposal which I made yesterday, and which I claim to be a much more logical proposal. There is a further

[Mr. F. E. James.]

objection, and that is the objection of principle. The result of this proviso would, in effect, be that the Government would be asked to give a bounty to factories which were being established during the first two seasons of their operation. Now a great deal has been said about the supposed inefficiency of factories that have recently been started, and yet I was interested to read this morning from the report of the Sugar Technologist the following sentence:

"It is a matter for some satisfaction to those concerned in the technical aspect of the present development that, even in the first year of their operation, the new plants have shown results which, on an average, are not inferior to those factories established for several years."

Surely, it must be patent to Honourable Members that factories started afresh under present conditions are in a far better position and have tremendous advantages in regard to machinery and new types of cane and research of all descriptions compared with the factories which were started sometime ago. I suggest to the House that a provision of this kind would in effect have the tendency of giving a bounty to inefficiency. With regard to the second proviso, we oppose that also, not because we have any lack of sympathy with the plight of some of the sugar factories in Bihar as a result of the earthquake,—I can assure my Honourable friend, Mr. Gaya Prasad Singh, on that particular point—but because we feel that it is a wrong method; factories have been affected in different ways, and why should they all get the same level of exemption? There is a provision in the Act, whereby the Governor General may exempt, from all or any part of the duty, any factory, and we think that the proper procedure would be for the factories to make their applications for assistance through the Local Government and for the Local Government to pass those on to the Government of India. If those applications are found to be just, action can be taken in regard to individual instances under the proposed provisions—I think it is clause 10 of the Bill. Therefore, I see no reason for this particular provision which is not equitable in basis and would not meet the varying conditions in which the factories are suffering in the Province of Bihar. At the same time, I would ask the Honourable the Finance Member, and I am quite sure that he will agree, to be as sympathetic as possible to any applications which do come from the Local Government in respect of factories in Bihar which have suffered unduly as a result of the earthquake.

**Mr. Gaya Prasad Singh:** Under what provision has the Governor General got power to exempt?

**Mr. F. E. James:** I think it is clause 10 which says:

"The Governor General may, by notification....., declare that any of the provisions.....relating to the levy of and exemption from duties.....be applicable in regard to like matters in respect of the duty on sugar imposed by section 3."

**Mr. President** (The Honourable Sir Shanmukham Chetty): There is provision already.

**Mr. Gaya Prasad Singh:** That is all right then.

**The Honourable Sir George Schuster:** Sir, in the first place, I should like to thank my Honourable friend, who has just spoken, for relieving me of the task of making a great part of the speech which I had been going to make. He has certainly put forward arguments which have great force and which have influenced us in our attitude on this matter.

Before I deal with any of the special points, I should like to clear up a certain misapprehension which, I think, my Honourable friend, Mr. Mudaliar, has created. In the first place, I would like to point out to him that, even under the present Constitution, he has unlimited opportunities of offering advice and that his advice is always most seriously considered. But, I am afraid, there are more material points where my Honourable friend is perhaps under a misapprehension. I am, of course, fully aware of the position as regards war debt payments, and I shall probably have something more to say on that subject later. But I think I made it clear according to my recollection in one of my earlier speeches that we did in a sense regard that as a reserve provision, because we recognised the chance that it might not be required. That is the attitude which I took last year when I was criticised for including the war debt provision in full in our estimates, and I took the line that we needed some reserve, because in the uncertain conditions prevailing, our estimates were very insecure, and if my Honourable friend claims that he was right in his anticipation that the payments would not be required, I think I may also claim that I was right in saying that I needed some reserve provision. Then, Sir, as regards the amount of this provision, my Honourable friend mentioned the figure of 80 lakhs, but the actual figure is just under 58 lakhs. On the merits of these amendments, we must oppose them on the ground of principle that we think that it would be an extremely dangerous precedent to create that on any occasion, where a duty of this kind was to be imposed, a special exemption tantamount, as my Honourable friend, Mr. James, pointed out, to a special bonus should be given to factories in the first year of their operation. A great deal of play has been made about the difficulties that a factory has to encounter when it first gets to work. That, Sir, is obvious to every one who has at any time embarked on industry and the difficulties of that nature must be taken into account by any prudent financier who contemplates putting money into a new industry. But they do not constitute any special ground for a bonus to be given from public funds to the new factories in their first year.

Turning now to the details of the particular amendments, they are, if the Honourable Members who have moved them will excuse me for saying so, extremely faulty in their wording. My Honourable friend, Mr. Ramakrishna Reddi, had already to make several extempore amendments, but even so, I venture to suggest that his proposal would work extremely unfairly. It refers to factories created and worked during 1933-34. What about factories that were created and not worked during 1933-34, and what about factories that are just on the point of erection now after the close of the season 1933-34? That brings me to another important point which I must make and another misapprehension that, I think, exists in the mind of my Honourable friend, Mr. Mudaliar. My Honourable friend has said that the financial effect of a proviso of this kind would be negligible. But, Sir, I must remind my Honourable friend that, in the course of last year, 59 factories were erected, and that, since the close of the current year, ten more factories are in course of erection. Therefore, this proviso, if it is slightly expended—and in fairness it would have to be to include factories that have been put up just now—would exempt 69 factories from



[Sir George Schuster.]

payment of duty in 1934-35. That represents about half of the manufacturing capacity for 1934-35. Therefore, we should lose something like half of our revenue. That, Sir, is a very important consideration.

I turn now to the amendment of my Honourable friend, Seth Haji Abdoola Haroon. That goes even further and suggests a perpetual exemption of all factories now and hereafter in the first two years of their operation. I think, Sir, the implications of that have only got to be considered for a moment to make it imperative to arrive at the conclusion that it is an impossible proposition. I can imagine some of the nimble-witted financiers of Calcutta making a regular trade in starting new factories. They could be certain of two years extremely large profits, and, before the end of two years, they would undoubtedly have passed on the shares in these concerns to the public and would start on another series of two year factories in the future. It would lead to quite an impossible situation, and, I feel sure, that nobody in the House would support that when he had considered what it meant.

As regards the position in North Bihar, I have already dealt with that, and I have already explained to the House how far we can go. We cannot go further than that and, here, again, I would put it to my Honourable friend that the wording of his amendment would be extremely difficult to interpret. I would find it very difficult to decide what exactly was a factory which had been "affected" by the earthquake for example. We must go into these cases as individual cases on their merits and on the facts in each case, and that, as I have already indicated, we are prepared to do. Beyond that, we cannot go. Sir, on all these grounds, I must oppose both these amendments.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That to sub-clause (1) of clause 3 of the Bill the following proviso be added :

'Provided that the factories created and worked during the year 1933-34 shall be exempt from paying the excise duty for one year.'

The motion was, negatived.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair would put Haji Abdoola Haroon's two provisos separately to vote. The question is:

"That to sub-clause (1) of clause 3 of the Bill the following proviso be inserted :

'Provided that no duty shall be levied on the sugar produced by the factories during the first two seasons of their establishment.'

The motion was negatived.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That to sub-clause (1) of clause 3 of the Bill the following proviso be inserted :

'Provided that sugar factories in North Bihar affected by the earthquake shall be exempted from the duty till 31st August, 1934.'

The motion was negatived.

**Mr. M. Maswood Ahmad:** Sir, the amendment that I want to move is:

"That for sub-clause (2) of clause 3 of the Bill the following be substituted:—  
(2) The duty payable under sub-section (1) shall be at the following rates, namely:

- (i) On all sugar except *khandsari* sugar, and palmyra sugar at the rate of one rupee per cwt.;
- (ii) On *khandsari* sugar at the rate of eight annas per cwt., or at such rate as may be fixed in this behalf by the Governor General in Council after such enquiry as he may think fit, whichever is lower;
- (iii) On palmyra sugar at such rate, if any, as may be fixed in this behalf by the Governor General in Council after such enquiry as he may think fit."

**Raja Bahadur G. Krishnamachariar** (Tanjore *cum* Trichinopoly: Non-Muhammadian Rural): Sir, on a point of information. Before my Honourable friend, Mr. Maswood Ahmad, makes his speech on this amendment No. 13, I would like to suggest that we should only proceed with part (i) of this amendment. Because, supposing it is passed, the position regarding my amendment No. 15 would be decided. My position is that, if this is allowed, then, my amendment No. 15 need not be moved, because it only wants to strike off *khandsari* sugar. But, if the House does not agree to this amendment, then I do not intend moving my amendment, because it will bring *khandsari* sugar mostly under the higher duty. I hope I have made myself clear. I, therefore, suggest that the debate and the voting should be confined to part (i) alone.

**Mr. President** (The Honourable Sir Shammukham Chetty): Of course, Mr. Maswood Ahmad always gives substitution motions. The Chair has made it clear that it does not give any priority in the matter of making speeches, but it certainly creates confusion, and this is perhaps one of the cases. The House must be given an opportunity to take a decision whether *khandsari* sugar will be liable to excise duty or not. So far as that is concerned, amendment No. 20 deals with that. That raises the specific issue of duty on *khandsari* sugar. If that is taken up first and if that amendment is negatived, all other amendments relating to *khandsari* sugar will fail.

**An Honourable Member:** The question of rate will remain.

**Diwan Bahadur A. Ramaswami Mudaliar:** This should be taken first before Mr. Maswood Ahmad's amendment.

**The Honourable Sir George Schuster:** I think that is correct. There is a whole series of amendments seeking to lower the duty on *khandsari* sugar, and possibly they may be taken subsequently.

**Mr. M. Maswood Ahmad:** As you have remarked that I give substitution amendments to get priority, I may say, on a matter of personal explanation, that it was not done with the idea of getting priority in this case, because it is entirely on separate scheme, and it was not possible to separate clause (i) from clause (ii). The amendment in part (i) is a consequential amendment on part (ii), and so there was no other alternative for me except this, because it is a whole scheme.

**Mr. B. Das** (Orissa Division: Non-Muhammadian): Sir, in view of the scramble to gain priority in speeches here, if the office would put down the time when these amendments are received, that will make the position very much simpler.

**Mr. President** (The Honourable Sir Shamukham Chetty): As a matter of fact, the present practice followed in the office is to print all the amendments in order of sequence according to the clauses irrespective of the wording of the amendment. Therefore, there is no difficulty with regard to that.

**Mr. T. N. Ramakrishna Reddi**: Sir, I move:

"That in sub-clause (2) (ii) of clause 3 of the Bill, after the word 'except' the words '*khandsari* sugar and' be inserted."

The clause as amended would read thus:

"on all other sugar except *khandsari* sugar and palmyra sugar at the rate of one rupee per cwt.;"

Thus my idea in moving this amendment is to make a total exemption of *khandsari* and palmyra sugar from the excise duty. Sir, yesterday, in my speech on the second reading, I dealt elaborately with the handicaps under which the *khandsari* sugar suffers, and I do not want to repeat all the arguments that I then advanced. I will only quote in one sentence those disabilities.

In the first instance, I quoted from this book of M. P. Gandhi that the extraction of sucrose from the cane is far inferior in *khandsari* process as compared with that obtaining in the factories. While the extraction is about 86 per cent in the factories, the extraction in *khandsari* process is only 56 per cent.

Then, secondly, with regard to the recoveries also, while the factories get a recovery of 8·6 to nine per cent, the *khandsaris* get only five per cent. And I have also stated that *khandsari* sugar is of an inferior quality to that of factory sugar, and hence it commands only a lower price in the market. If, added to all these disadvantages, this excise duty also is levied on the *khandsari* sugar, the *khandsari* sugar is bound to disappear or is bound to suffer considerably. Sir, it is in the interest of the cane growers that *khandsari* sugar manufacture should exist in this country.

If the Government have any sympathy for the cane grower, as they seem to show by the introduction of this measure to fix the price of sugar-cane, then they must try and protect this *khandsari* sugar also from total extinction, because, Sir, only a very small percentage of cane is consumed in the factories and a large amount of cane still remains to be disposed of. Further, most of the factories exist near the railway stations or in places where there is extensive cane cultivation, because large factories cannot work profitably if they are erected in out of the way places. The cultivation of sugar-cane is spasmodic and is distributed over long distances. In these circumstances, the *khandsari* sugar manufacturer comes to the rescue of the cultivator and the cane grower, and these *khandsari* sugar manufacturers are bound to absorb in an increasing

degree more cane than the factories can consume, and, therefore, these *khandsaris* should be protected. Sir, the total extinction of the *khandsaris* will have serious repercussions on the cane growers. In the Madras Presidency,—it is stated at page 74 of the Tariff Board's Report,—that, although nowhere in India, the climatic condition is more favourable for the successful cultivation of sugar, the area under cultivation in the Madras Presidency is both small and scattered. That is the reason why there are very few factories in the Madras Presidency, though the cane grown there is superior in quality. In the Madras Presidency, the *khandsaris* have a bright future, and, therefore, I move that *khandsari* sugar should be totally exempted from this excise duty.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (2) (ii) of clause 3 of the Bill, after the word 'except' the words '*khandsari* sugar and' be inserted."

**Mr. G. Morgan** (Bengal European): Sir, may I ask a question?

**Mr. President** (The Honourable Sir Shanmukham Chetty): The discussion on this amendment will cover the entire ground relating to the exemption of the duty altogether on *khandsari* sugar, and if this is negatived, then all other amendments relating to *khandsari* sugar will fall.

**Dr. Ziauddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): On a point of order, Sir. The problem before us is whether *khandsari* sugar should be taxed immediately, or it should be taxed after making further inquiries, or it should not be taxed at all. These are the three issues before us. What I want to point out is that the words "*khandsari* sugar" were not mentioned in the original Bill. Really the whole discussion was started by the Association of Sugar Factory Owners

**Mr. President** (The Honourable Sir Shanmukham Chetty): Is the Honourable Member making a speech on the amendment?

**Dr. Ziauddin Ahmad**: I merely want to point out. . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member can perhaps finish his speech on the amendment.

**Dr. Ziauddin Ahmad**: Very well, Sir, I will finish my speech on the amendment.

As I was saying, Sir, there are three issues before the House, namely, whether *khandsari* sugar should be taxed immediately or it should be taxed after further inquiries or it should not be taxed at all. If *khandsari* sugar is to be taxed immediately, then really we must keep clause 1 as it is, and the quantum of protection may be considered. The second thing is, if we decide that *khandsari* sugar should be taxed after further inquiry, then the right course would be to remove clause 1 and put this in clause 3; and if we want that *khandsari* sugar should not be taxed at all, then the present suggestion will have to be accepted. The Report of the Select Committee clearly contemplates that there should be

[Dr. Ziauddin Ahmad.]

a duty imposed on *khandsari* sugar straightaway, and, therefore, to achieve this object they put in clause 1. The result of my friend's amendment, if it is accepted, would be that *khandsari* sugar would not be taxed at all, and so what I suggest is that we should not decide definitely today that *khandsari* sugar should not be taxed at all. At the same time we should not put any duty on *khandsari* sugar without a special inquiry by the Tariff Board. I dislike the idea of putting a duty on the recommendation of a Select Committee on any article without an independent inquiry. I have been fighting the whole Session in the last two Bills that we cannot impose a duty merely based on the opinion of a private person or on the opinion of this man or that individual. If we want to impose a duty or change it on any article, we must have a thorough inquiry made either by the Tariff Board or by a special officer deputed by the Government. Without such an independent inquiry, it will be unfair to impose any tax on any article by means of a mere show of hands in the Select Committee. It was, of course, quite an accident that in the Select Committee the sugar manufacturers had a majority. You may appoint one Select Committee today with a majority of sugar manufacturers, and tomorrow you may appoint a second Select Committee. . . .

**Diwan Bahadur A. Ramaswami Mudaliar:** Sir, I find that my friend is making very serious allegations. Throughout the last two days, he and I have not been able to agree on many points. Will he explain which is the Select Committee in which there was a majority of sugar manufacturers? Such serious allegations should not be made on the floor of the House so slightly. I must protest against it.

**Dr. Ziauddin Ahmad:** Sir, I do not go into the personnel of the Select Committee. I judge the thing by the Report, and the Report clearly says,—what private or individual opinion my friend holds on this I do not care,—but the Report itself clearly says that the manufacturers were in a majority, and, so much so, the Government. . . .

**Mr. S. C. Mitra** (Chittagong and Rajshahi Divisions Non-Muhammadan Rural). You are absolutely wrong there.

**The Honourable Sir George Schuster:** I do not think I should allow that statement about the Select Committee to pass unchallenged, but I think my Honourable friend's point was, if I understood him correctly, that he was objecting to the Select Committee fixing a duty. He said we might have a Select Committee in which there was a majority of sugar manufacturers one day, and the next day we might have quite a different form of Select Committee. I think he was illustrating the danger of allowing the Select Committee to settle duties of this kind. I think that is my friend's point.

**Dr. Ziauddin Ahmad:** My friend, the Diwan Bahadur, has practically taken up what we call general Bazaar curses, and any one, who takes them up, falls upon himself. I really never meant to cast any reflections on the Members of the Select Committee now, nor shall I do it in the future. What I have been trying to emphasise was that it was not fair to levy a duty on any article simply on the Report of a Select Committee,

because one Select Committee may be constituted in one manner, while another Select Committee might be constituted in another manner, and I think it is totally unfair to decide this issue by mere show of hands. I can give you one Select Committee which will opine by majority that the excise duty is mischievous and that it should be abolished. I will give you another committee which will attempt to increase the duty beyond one rupee and five annas. It ought to be decided by making a thorough inquiry either by the Tariff Board or by a special officer deputed by the Government.

Now, Sir, as I said, these were the three problems before us. I am of opinion this is a matter which requires a thorough investigation. To my knowledge, I think it was the manufacturers who first started this propaganda that *khandsari* sugar should be taxed. My impression all the time was that *khandsari* sugar was purely a cottage industry, that the manufacturers consumed only ten per cent of the sugar-cane and the remaining 90 per cent was used in the old fashioned way by these *khandsaris*, and that they would continue to crush the sugar-cane in this old fashioned way till we get sufficient machines all over the country. Therefore, unless a thorough inquiry is made and we obtain some figures showing how much sugar is already made in this country, how much cane is consumed by the cottage industry, and how much cane is taken up by the large sugar factories employing electricity or other kinds of steam plant, unless we have some sort of authoritative report on these points, it is not right that we should levy a duty on *khandsari* sugar. . . .

**The Honourable Sir George Schuster:** May I point out that the Tariff Board, so far as I know, recommended no specially favourable treatment to *khandsari* sugar. Therefore, if we stand on the Tariff Board Report, we should have to levy the full duty on *khandsari* sugar.

**Dr. Ziauddin Ahmad:** I thought that the original Bill that was laid before us did not contemplate any duty on *khandsari* sugar.

**The Honourable Sir George Schuster:** No. I made that point clear yesterday. We have not altered the scope of the original Bill at all. The amount of sugar which is going to be hit by an excise duty now is exactly the same as was contemplated in the original Bill, except, of course, the palmyra sugar. That has been taken out. Otherwise, any sugar, whether *khandsari* or palmyra, made in a factory with power machinery and 20 hands employed therein was to be subject to the same excise duty, and so there has been no difference, no change in purpose at all.

**Dr. Ziauddin Ahmad:** This was the intention, no doubt, of the original Bill, but I still consider that as in the case of the palmyra sugar, we ought to make some more detailed enquiry about the *khandsari* sugar as well, and, then, if the Government, after the enquiry, are convinced that a duty is necessary on it and that it will not hit hard the industry, they may do so. When they do so, they must also remember that *khandsari* produces only five per cent, while the factory produces nine per cent, and this is a definite loss. And if you put any duty on *khandsari* sugar, it will hit the *khandsaris* hard, and we are afraid that the sugar-cane growers might be adversely affected, because the

[Dr. Ziauddin Ahmad.]

*khandsaris* really take in the remaining 90 per cent of the sugar-cane, and, if they are hit hard, there will be no market for the remaining 90 per cent of the canes. At the present moment, the Government need not put any duty on *khandsari* sugar, but they should make further enquiries in the manner they think best, and if they are convinced that *khandsari* sugar is in a position to pay the duty, either in full or in part, then Government can come forward and decide this question.

**Mr. Gaya Prasad Singh:** As in the case of palmyra sugar.

**Dr. Ziauddin Ahmad:** Yes, as in the case of palmyra sugar.

Therefore, clause (i) should be omitted and clause (ii) may be left as it is and in clause (iii), after the word palmyra the words 'and *khandsari*' should be added. The result of that will be that no duty will be levied just at present, but you leave the hands of Government free to impose any duty they please after any additional enquiry that they may make. To put a duty on *khandsari* without any detailed enquiry is not correct. We have no figures about *khandsari* factories and what quantity of *khandsari* sugar is made in the factories, we do not know the prices of *khandsari* sugar of various types, and how much is made by factories employing more than 20 persons and how much by factories with less than 20 persons. All these figures should be available before we can make any decision. The object we have in view will be achieved if we omit clause (i), keep clause (ii) without any modification, and add the words 'and *khandsari*' after the word palmyra in clause (iii).

**Mr. C. S. Ranga Iyer** (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): When one deeply feels on a particular subject, it is as well if one were to speak with restraint, and I propose to speak with great restraint. At the very outset, I must also agree with the suggestion of Dr. Ziauddin for an enquiry,—not that I like an enquiry, but if an enquiry will postpone the misfortune that is to be visited on *khandsari*, I would like an enquiry. I would ask the Finance Member to tell this House what is the recommendation that the United Provinces Government have made in regard to *khandsari* in the United Provinces. The Finance Member is no doubt aware that there was a censure motion on the Government in the United Provinces Council. It is true that the Government were able to carry the day with their majority, but it is also true that the representatives from Rohilkund and representatives from other parts of the United Provinces made very vehement protests against this imposition of an excise duty on *khandsari* sugar. I know Government approached this *khandsari* question in the past with some prejudice. I admit that the Finance Member has shown some consideration to *khandsari*—as I said the other day,—as against factory sugar. There has been a good deal of prejudice against *khandsari*, as there is prejudice against those who are in adverse circumstances. Adversity is the touchstone of true friendship. *Khandsari* is in its adversity today. It is almost likely to die, and, therefore, I want Government to show more friendship than they have shown to *khandsari* sugar. They ought to give up altogether the imposition of an excise duty to the extent of ten annas even on *khandsari* sugar. I believe probably the Government wish for the extinction of *khandsari* industry; at any rate, I do not know whether

they could altogether be ignorant of an important Committee like the Indian Sugar Committee of 1920 almost reconciling itself to the extermination of *khandsari* industry, for they make this observation. They say its process is wasteful, they say that it is doomed to die. Paragraph 278:

"On the basis of the extraction we have mentioned above (the process which they have described) this is equivalent to 11 maunds of *rab* to 100 maunds of cane. The wastefulness and inefficiency of the process are sufficiently demonstrated by its net result, which is four per cent. of sugar only as against 9.5 per cent., which we estimate as possible in a thoroughly efficient factory. In these circumstances, it is obvious that the industry would be unable to withstand the competition of factory sugar. . . . ."

I admit that Government have recognised to a certain extent that the factory competition could not be withstood by *khandsari*, and, therefore, they have given a concession by imposing Rs. 1-5-0 on factory sugar and ten annas on *khandsari*. But this concession cannot keep the *khandsari* alive, because competition is very, very keen, especially after the protective duties on the Java competitor, a rival of the Indian factory, the competition of the Indian factory has become very keen, very acute, very unbearable, formidable, as I know, in the Rohilkund Division of the United Provinces, a Division that produces the largest quantity of *khandsari* in India. We are not satisfied, and I hope that Government will yield to us in this matter and accept the amendment of Mr. Reddi, so that Government may tell the world that, so far as the poor cottage industrialist is concerned, so far as the man who lives by the sweat of his brow is concerned, he has got the sympathy of Government. *Khandsari* people have no wealth behind them, and, in these days of economic depression, are they to be thrown to the wolves of hunger? Are they to be thrown to unemployment? Again, there is the question of the factories not being a certain item in the industrial life of the country. If all the moanings of the factory agitators outside in the country and the factory supporters inside this House be true, they say that their machines are not good enough, they say they may not stand the wear and tear, they say they may go out of existence if this state of things continues, if this duty is to be imposed. Taking them at their word, if the factories are to go out of existence, if the factories are not to do work, at any rate, the *khandsari* must not be made to go out of existence by this excise duty. For, Sir, the *khandsari* have lived so many years in this country in spite of the prejudice that has always existed against them and which has accumulated recently. It is that prejudice to which the Indian Sugar Committee gave expression . . .

**Mr. B. Das:** But the Tariff Board snubbed the Indian Sugar Committee.

**Mr. C. S. Banga Iyer** I am coming to that. The Indian Sugar Committee say: it is obvious that they would be unable to withstand the competition of factory sugar. If it is obvious, why not remove altogether the duty on *khandsari*, but the Indian Sugar Committee, in fairness I must note, say in the same sentence, they say in a governing clause: it would be obvious that it would be unable to withstand the competition were it not that its product commands a special market and sentimental reasons bring in a considerably higher price for it than rules for factory sugar. (*Mr. G. Morgan*: "Hear, hear.") My friend, Mr. Morgan, says



[Mr. C. S. Ranga Iyer.]

"Hear, hear". I know he wants to extend the Gandhi cap to the *khandsari*. Mr. B. Das said yesterday that they should dodge this Act by putting 18 men or 19 instead of 20. Mr. Morgan says 19½. I suppose he means 19 men and a baby, but child workers are prohibited, I believe, even by *khandsari* etiquette. I was saying that the *khandsari* people will be constantly subjected to surveillance to find out whether they are employing 19 people or 21, and they will also be driven to dodging. Should there be this dodging? Should there be this encouragement to dodging and should there also be this surveillance which will not be viewed with sympathy by the village people? It may result in clashing reports of two officers. I do not want that the *khandsari* should come under the surveillance, but should be given a free and unfettered existence. We are living in a mechanical age, a chemical age, and if we are going to put fetters on the poor *khandsari*, the village and the cottage industrialist, then I can only say that we are striking against the sentiment of the people, because, on the admission of the Indian Sugar Committee, it is sentiment that makes the Indian buy the *khandsari* sugar. The Indian Sugar Committee hopes that sentiment will die. It says: If the prejudice against factory sugar disappears, as there is every reason to believe it will, this *khandsari* sugar is doomed to extinction. Is this the consummation which the Government want to hasten? Must they precipitate the extinction of *khandsari*? Must they kill out of existence a very ancient industry which we want to preserve, just as we want to preserve the village handloom? We want that the Honourable the Finance Member should assure us that he will accept Mr. Reddi's amendment, failing which he will take the earliest step to abolish this imposition of ten annas on an industry which cries to live. My friend, Mr. B. Das, put a question—has not the Tariff Board snubbed the Indian Sugar Committee? Has not the Tariff Board been snubbed by both sides of this House? am not today dealing with snubs. I am dealing today with a rub in the way of the *khandsari* industry in Rohilkund. That rub is increased by this ten annas imposition and that rub must be removed if there is to be satisfaction, some peaceful feeling and contentment among the villagers of Rohilkund. In these days of depression and economic misfortune, we have a right to beg of the Finance Member to show a little more consideration to the poor *khandsari* than he has been able to show so far.

**Mr. M. Maswood Ahmad:** I rise to support the amendment of my friend, I.P.M. Mr. Reddi. My idea in this connection is that there should not be any duty on sugar, but I know that we cannot carry any amendment unless it is accepted by the Government. So I want to draw the attention of the Government that this *khandsari* sugar is really an agricultural concern and not an industrial concern.

My Honourable friend, Mr. Morgan, spoke yesterday, but being a European, he cannot realise the real position in the country. He knows only two things and that is industry and shooting. In this connection, I will tell a story. A boy went to see the town with his father and he first saw a small bird. He asked his father what it was. The father said it was a bird: then, he went on further, and he saw a big goat: and he was told that it was *papolia*. He went further and saw an elephant. He asked his father and was told that it was an elephant. When he was

returning he saw a camel, and his father asked him what it was. He said it was an elephant. The father said, it was not an elephant. Then he said it must be *papolia*. When the father said that it was not, the boy said that it must be a bird. So, in this way, my friend knows only two things. I assure my friend that this is really an agricultural concern.

First of all, I want to say that the production of *khandsari* sugar is diminishing every year and this is an important factor which should be remembered by my friend. Sugar-cane production in factories has increased. In 1931-32, it was 1,58,581 tons. In 1932-33, it went up to 2,90,000 tons and in 1933-34, the Government estimate is for 5·86 lakhs. The production in *khandsari* is diminishing. In 1932-33, it was 2·75 lakhs of tons, while in 1933-34, the estimate is that it cannot go beyond 2·60 lakhs. In this way, the production of *khandsari* sugar is going down every year, and if you will see the cane which is crushed in factories you will see a marked difference. The quantity of cane crushed in factories in 1931-32 was 17·83 lakhs of tons, while in 1932-33, it became 33·50 lakhs of tons; while in *khandsari* the crushing of the sugar-cane went down to this extent that in 1931-32, it was about fifty lakhs of tons, and in 1932-33, also, it remained practically the same. So there was absolutely no increase in the amount of crushed sugar-cane and there was no increase in the production of sugar in spite of the protective duty on sugar. Then, you will also find that while the number of sugar factories have increased during the last two or three years to a large extent, the number of *khandsari* factories has not gone up. The figures are here, but I do not want to quote them all. I wish to assure the House, however, that this is a fact that the number of *khandsari* sugar factories has not gone up. Then, I shall quote only one more figure at this juncture, and it is this. You will find that the percentage of cane used in factories during 1923-24 was 1·3, while in 1933-34, the estimate is that cane will be used in the factories to the extent of about ten per cent, while the figure for the cane used in making sugar from *khandsari* is practically the same—3·1 in both years; in certain other years it went down and it went up in certain other years, but in only one year I find it went up to 3·2 per cent. So practically the number of factories where sugar is made by means of *khandsari* has not increased, rather it has decreased, and the percentage and the weight of sugar-cane used in these factories is decreasing year by year. So absolutely this *khandsari* business is not prospering.

Sir, the main reason for levying this excise duty on sugar was that the owners of sugar factories were making large profits. The proof of that is that the number of sugar factories is increasing and the percentage of sugar-cane used there is also increasing, while this *khandsari* business is a losing concern. This concern, Sir, happens to be the only alternative now for the agriculturist, because all this sugar-cane cannot be used in these factories. The roads in this country are not so good that all the sugar-cane from a whole area can be taken to sugar factories. The factories are now at a distance of something like twenty to thirty miles from villages, and it is not possible to take all the sugar-cane from all those areas to the station and then to transport it to the factories. So, Sir, this is the only means for the agriculturist, namely, to have small crushing factories in these areas and to refine their sugar. Then, in this connection, I want to quote one sentence from the Indian Tariff Board Report. They also,

[Mr. M. Maswood Ahmad.] |

Sir, have supported the idea which I have mentioned that the *khandsari* sugar business should be supported. They say on page 51, paragraph 44:

"It appears, therefore, that an effort should be made to support the *khandsari* system both as holding an important position in the agricultural system of the United Provinces and as constituting an outlet for surplus cane which may be produced in the next few years."

When, Sir, it is not possible to take all the sugar-cane, the surplus sugar-cane grown in villages is converted into *rab* and *gur*, and, after that, sugar is produced from this. If you will consider the percentage of sugar which they get by means of this system, you will find this to be stated:

"It will thus be seen that the return from one hundred maunds of cane manufactured into *gur* and then refined into sugar is five and a half maunds of sugar, as against nine maunds obtained by the manufacture of sugar direct from the cane."

This is the percentage of production by means of the big factories—they get nine maunds of sugar out of a hundred maunds of sugar-cane, but by means of these refineries they get only five and a half maunds of sugar out of the same amount of sugar-cane; and, further, you will find that the quality of sugar which they produce is inferior. This is brown sugar. This is not as white as the sugar produced in the regular factory. The price in the market is also very low; and as the profit is very low, this *khandsari* business is not increasing, but rather decreasing; and the danger was really foreseen by the Sugar Committee that if this was the situation, then they thought that very soon this industry would not remain in this country; and I say that if this *khandsari* business will not remain in this country, the net result will be that really the agriculturist will suffer.

There is another point. You will find from the Report of the Tariff Board and also from the speeches of Government Members that no investigation has up till now been made in connection with this *khandsari* business. They are not in a position to say what is really the number of *khandsari* mills. They are not in a position to say whether they are making any profits at all. They are not in a position to say whether this industry requires further protection or not. I think, Sir, that this *khandsari* business requires further protection, not only from the imported sugar, but from the sugar which is manufactured in the factories within this country. (Hear, hear.)

Then, the other question comes up—what should be the ratio? The Government do not know what should be the fair selling price for this industry, they have not worked out all these things, how then are they in a position to say what duty should be levied on this sugar? When they have mentioned that an investigation should be made in the case of palmyra sugar, I think this is also a fit case for investigation, so that the Government may consider whether it deserves any excise duty or not. Then, Sir, it has been suggested that if we are going to exempt the industry from this duty, the result will be that they will not be in a position to have sufficient money to carry on their business according to their Budget proposals.

In this connection, I say that there are five points which ought to be considered. The first point—and I hope the House will not fail to note it—we have increased certain duties which were sought to be levied in the

Finance Bill. By that means the Government will get a certain amount of additional duty to compensate them for the loss incurred in exempting this *khandsari* sugar. The second point is that we passed the other day the Indian Tariff (Textile Protection) Amendment Bill. There also they have increased the taxation on certain items, and that is also a source of additional income to them. My Honourable friend, Mr. Bajpai, says, "No, no".

**Mr. G. S. Bajpai** (Secretary, Department of Education, Health and Lands): I said nothing.

**Mr. M. Maswood Ahmad**: I am glad Mr. Bajpai admits that there will be . . . .

**Mr. G. S. Bajpai**: I neither admit nor contradict. I have no part or lot in this discussion.

**Mr. M. Maswood Ahmad**: Well, certainly, all these measures will give more money to the Government than they had expected at the time of the Budget. At the time of the Budget, they expected only nine annas a pound, but now, from hosiery, they will get 12 annas per pound, and there are many other things from which they will get more money than they expected at the time of the Budget. So, if they exempt this *khandsari* business, they will not be put to trouble in any way.

The next point that I wish to make in this connection is this. They have brought in a new Bill for imposing a new duty on lighters and that will also be another source of income to them and that also they did not expect at the time of the Budget. The last point that I wish to emphasise is that the amount which they expected to give to the Treasury of His Majesty's Government will not be required now and that will be another saving to them. Taking all these savings into consideration, I do not think I am wrong when I say that the next year's Budget will be a surplus Budget, and, therefore, there will be absolutely no trouble if they exempt this industry.

Now, Sir, I have finished my points, but I would like to have some information from my Honourable friend, the Finance Member, on certain points. The first point I want to know is, whether the *khandsari* factories will be worked by means of hand or by means of bullocks and whether they will also come under this Act or not?

**The Honourable Sir George Schuster**: I have already specifically answered that point and indeed I answered practically the whole of my Honourable friend's case yesterday. Let me repeat that, power refers not to hand or animal power, but to machinery power produced by steam or electricity. Let me also repeat what I said yesterday that so far as the *khandsari* sugar industry is an agricultural industry and is concerned with small concerns in the villages, it is almost certain that it will not come under the provisions of this Act. (Applause.)

**Mr. M. Maswood Ahmad**: The second point on which I want information is whether the number of workers of these factories will be diminished this year after this Bill has been passed. Will they take it into account

[Mr. M. Maswood Ahmad.]

that last year there were 20 or more than 20 labourers and so they will tax it or not? The last point on which I want information—and I did not get information on it yesterday—is whether the labourers who will be employed in cutting the sugar-cane and not in making the *rab* will be included in these 20 or not?

**The Honourable Sir George Schuster:** I really do not know whether my Honourable friend was in the House yesterday or not, but he has certainly not listened to my speech. Obviously, it is quite clear that men, who are engaged on cutting sugar-cane and not engaged in the process of manufacturing the sugar within the precincts of a sugar factory, will not be taken into account. I would suggest to my Honourable friend—as he imputes ignorance of rural conditions to everybody else except to himself—I would suggest that he should go round and talk over this Excise Bill with his friends, the people who run small *khandsari* presses and sugar-making concerns in the villages, and, if he and they put their heads together, they will be able to find ways and means of evading the provisions of this Bill.

**Mr. M. Maswood Ahmad:** In this connection, I only want to say, Sir, that “*Dudh ka jala chhachh phunk phunk kar pita hai*”, which means that the man who has burnt his fingers by taking hot milk has to drink even “*chhachh*” cautiously. So, I want to have information on all these three points from my Honourable friend, the Finance Member. With these words, I support the motion moved by my Honourable friend.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Before the House is adjourned for Lunch, the Chair would remind Honourable Members that according to the programme this Bill has to be finished today.

**Mr. S. C. Mitra:** We will finish it before 6 o'clock.

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. President (The Honourable Sir Shanmukham Chetty) in the Chair.

---

**Mr. B. V. Jadhav** (Bombay Central Division: Non-Muhammadan Rural): I rise to support the amendment moved by Mr. Reddi. *Khandsari* has played an important part in the economy of agriculture. It is known that a vast quantity of sugar-cane is raised by the agriculturists and a large proportion of the cane is turned into *khandsari* sugar by these middlemen. The big sugar factory also has now come to stay, and it is also using a large quantity of sugar-cane. It is certain that for a very long time to come the sugar-cane cultivators have to depend largely upon the *khandsaris* to make use of their cane. Therefore, whatever inefficiency the *khandsaris*

may have, one has to put up with it for at least some years, and it would not do to devise means to extirpate the *khandsari*, because, if he is gone, then the sugar-cane cultivation is likely to suffer. It is also explained here that the average extraction of juice from sugar-cane by the old wooden mills is very low. It will be a long time before accurate or efficient milling is available in all parts of the country. So the *khandsari* has to depend upon this inefficient milling. At the same time, he has to deal with a small quantity of sugar-cane, and, in boiling juice, he cannot make use of the vacuum pan system. There is, therefore, a good deal of wastage. It is also well known that the sugar produced by the *khandsari* is not so white or valuable as the sugar produced in the factory. Therefore, as his extraction of juice is low, as his turn-over of sucrose is also low and as the sugar manufactured does not command the same price as factory sugar, it stands to reason that his profits must be very very low, and, therefore, any amount of excise duty placed upon him will be very detrimental to his interest and it is likely that some of these *khandsaris* may have to close their business. The next Bill that is coming is intended to regulate the price of sugar-cane. If that is so, the price of cane also for the *khandsaris* will increase, and, in that way, the little profit that he has been making will also disappear. For this reason too, I think, the *khandsaris* should not be brought under the operation of this excise duty until a very exhaustive enquiry is made into the condition of this trade. The *khandsari* generally does not purchase cane direct, but he purchases his juice or *rab* and makes sugar from that *rab*. It happens that the *khandsari* generally sends his men outside among the sugar-cane cultivators and purchases his cane there and extracts juice and then converts it into *rab*. It is likely that these two operations will be performed by two different men in future or under two different names. Therefore, the actual turning of *rab* into sugar will be performed in a factory which may not employ more than 20 men, and, in that case, of course, no excise duty can be levied on sugar. So if the present big *khandsari* factories are made into small units, then it means to say that inefficiency will grow more and more, and that is not good. If the *khandsaris* are allowed to erect bigger factories, then they will be able to employ more men and they will get better price. In that way, efficiency may grow and the turn out of sugar may be much higher. But, in the present circumstances, as the factories have to be taxed with excise duty, and a small factory with 20 labourers or less is not to be taxed at all, the tendency will be to have smaller and smaller units in order to avoid the excise duty, and, in that way, inefficiency may grow which is not desirable. I think the imposition of this duty in the absence of any enquiry as to how things are going on and what profits they are likely to make under the operation of the next Bill which is to regulate the price of sugar-cane, one cannot say how the *khandsari* sugar will bear the imposition of the excise duty of ten annas per hundred weights. Therefore, I support the amendment.

**Mr. S. C. Mitra:** Sir, I oppose this motion for attempting to exempt sugar produced by the *khandsari* process from the scope of this Bill, because I feel that it will nullify the effect and the whole purpose of the Bill. I shall subsequently show that my opposition does not in any way mean that I am opposed to encouraging cottage industries. It is clear

[Mr. S. C. Mitra.]

that this *khandsari* production of sugar is not at all a cottage industry, nor does it particularly help the agriculturist. There is a misapprehension in the mind of some Honourable Members that the manufacture of *khandsari* sugar is a cottage industry. It is absolutely clear in this Bill that any factory that employs power and engages more than 20 persons only come under the definition of a "factory" and their production alone comes under this taxation. So the real cottage industry which employs only a very few number of persons, much less than 20, will be outside the scope of this Bill. As regards the other point made by my Honourable friend, Mr. Maswood Ahmad, that *khandsaris* will not compete largely with factory made sugar, I shall show that it is absolutely wrong, because I find from the report of the Sugar Technologist at page 58, Table No. 14, out of 946,000 tons of sugar, that is estimated to be produced in 1933-34, as much as 300,000 tons will be produced from *khandsari* sugar alone which shows that nearly 30 per cent of the entire production comes out of this *khandsari* sugar. I think Mr. Maswood Ahmad is further wrong when he thinks that the production of *khandsari* sugar is going down. The figures are given in the very same table. The actuals in 1931-33 were 250,000 tons and the estimate for 1932-33 was 275,000 tons, and, for 1933-34, 300,000 tons; and the same is estimated for 1934-35. That shows that the production by the *khandsari* method is going up and that it produces as much as 30 per cent of the total production. From all this it will be clear that if this particular kind of sugar is excluded, then the purpose of the whole Bill will be nullified, and there will be a premium on this inefficient process of manufacturing sugar in this country. Even as regards the cane that is used in this process, referring to page 54, I find that in 1923-24 the cane used in the indigenous process was 400,000 tons, but now in 1932-33 it is 5,500 tons. That also shows that this *khandsari* sugar, manufactured by this particular process, is a very large quantity which cannot in any way be exempted from the scope of this Bill. Sir, if more authoritative opinion is necessary, I should like to read from the report of the Sugar Technologist to the Select Committee, where he says:

"Sugar is made in India by the following principal methods :

- (i) Directly from cane in modern vacuum pan factories.
- (ii) Refined in modern vacuum pan refineries from cane-*gur*, cane-*rab*, *khandsari* sugar or *palmyra jaggery*.
- (iii) From cane or cane juice in small scale open pan concerns. Under this head are included the following types :
  - (a) *Bel-Khanchi Khandsaris*.—These use no machinery. Cane growers crush the cane in animal power crushers (which are generally taken on hire) and sell the juice (not the cane) to the *khandsari* who converts it into *rab* in direct-fired open pans. The *rab* is placed in bags and molasses is squeezed out by applying pressure. The brown sugar thus obtained is then treated with moistened weeds and after it has become almost white, it is dried in the sun."

This particular kind of *khandsari* produced sugar will not come under the purview of this Bill. They produce about ten per cent of the *khandsari* produced sugar :

"(b) *Bel-Centrifugal Khandsaris*.—The process adopted is exactly similar to that described for the *Bel-Khanchi* system excepting that centrifugal machines (which may be hand or power driven) are used for separating sugar from *rab*. In a modification of this process, the *rab* boiler, working in villages, sells his *rab* to owners of centrifugal factories, generally located in towns."

Those that are driven by hand power will not come under the purview of this Bill. This is a kind of *khandasari* also and they produce 45 per cent of the total *khandasari* sugar.

"(c) Small Centrifugal factories.—These are a modification of the *Bel*-Centrifugal *Khandasaris* and are small concerns equipped with centrifugal machines, driven by oil engines or other sources of power, and making sugar from *rab* which is purchased from *bel* owners."

Some of them will come under the provisions of this Bill:

"These concerns are also generally large enough to be classified as factories."

(d) Open pan factories.—These represent a further stage in the industrialisation of small scale sugar manufacture. Such concerns generally have cane crushers driven by oil or steam engines or by electric motors. *Rab* is boiled in open pans as before and power driven centrifugal machines are used for separating sugar from *rab*.

Factories of this type differ from the modern sugar factories in point of size and also in respect of the much simpler machinery and process employed. But most of these concerns are large enough to be classified as factories under the Indian Factories' Act.

Although absolutely no statistics are available to show what proportion of sugar is produced by each type of open pan sugar industry, the following figures, based on experience, have been assumed here:

- (a) *Bel-Khanchi Khandasaris*—10 per cent.
- (b) *Bel-Centrifugal Khandasaris*—45 per cent.
- (c) Small Centrifugal Factories—30 per cent.
- (d) Open Pan Factories—15 per cent.

Total production by Open Pan process—100."

From this it is clear that, of the 250,000 tons of sugar that was produced in 1931-32 and the 300,000 tons that is estimated to be produced during the current year, more than half will be excluded as it will not come under the definition of "factory". And it is also clear that they will be competing with the bigger factories and they cannot be treated as cottage industries at all or as helping the agriculturists for which I am as much anxious as my other friends here. As regards their cost of production, I find, on referring to the volume of evidence in the report about the sugar industry, that one of the gentlemen who is very much concerned with the *khandasari* process itself, Lala Harsahai Gupta, B.A., Honorary Secretary, Zamindar and Farmers' Association, gives in his evidence detailed estimates and comes to the conclusion that the cost of manufacture of one maund of sugar is Rs. 2. And it has been found by the Tariff Board that the cost of production of the factory sugar will be about Rs. 2-11-0. From this also it is clear that their cost of production is less. So there will be very serious competition from these factories which are not at all to be considered as cottage industries in any sense of the term. If they are totally exempted from the duty, the large factories will in competition be compelled to go down with large scale production which will ultimately redound to the disadvantage of the sugar manufacture in India.

As regards the point that my friend, Mr. Ranga Iyer, raised that the sugar from the cane by this process is very low, by referring to the sugar expert's book on the Open Pan System of white sugar manufacture, I find on page 74 that according to the Bhopal process they get as much as 7.76, while by the Rohilkund process, they get as much as 6.75.



[Mr. S. C. Mitra.]

while the average for the sugar industry by the big factories in India comes to 8.66 according to the Sugar Technologist's estimate. So, here also, we find that the sugar extraction is not so low as has been thought by my Honourable friend, Mr. Ranga Iyer. On these grounds, I find that there is no necessity why they should be altogether exempted, and the Tariff Board in its report made no difference between the sugar produced by these large factories and by these smaller factories known as the *khandsari* process. In this connection, I should like to refer to one novel principle which has been enunciated by my Honourable friend, Dr. Ziauddin, this morning, that the Select Committee should not judge or infer or draw their own conclusions from the facts supplied by the Tariff Board, and they are merely to accept them. I agree so far that great respect is due to all the inferences that are drawn by the Tariff Board, and as regards factories we have no other course open to us but to rely on them. But as regards the inferences the Select Committee would have been failing in its duty if it did not draw its own inferences, and it is their legitimate duty to form their own judgment on these matters.

With regard to the other point raised by my friend about the representation of the sugar interests in the Select Committee, I agree with him that it is quite proper and graceful for those who are much interested in an industry not to seek election to the Select Committee which is appointed to examine that particular industry. We would appreciate their value more if they appeared before the Committee as witnesses than if they sought election to the Select Committee, because really the position becomes sometimes very embarrassing, but it must be ultimately left to the good sense of those members, and we cannot press that point too much. Sir, on the grounds I have stated, I oppose this motion.

**Sir Muhammad Yakub:** Sir, the case made out on behalf of Government for levying a tax on factory sugar is that they have lost income on account of the decrease in the import of foreign sugar. That is the only reason which has been given by the Government in justification of this duty. We have to see which kind of country sugar has been the cause for the decrease of the import duty. *Khandsari* sugar was in the country when Java sugar was imported, and Government had their full share of import duty. It is on account of the factory sugar alone that there has been a fall in the import of Java sugar, and consequently any loss in the income of Government has been due to that. Therefore, any justification for imposing an excise duty on sugar can be only on that sugar which has been the cause of loss of import duty, and not on *khandsari* made sugar which is not in fact competing with Java sugar. Government can only impose an excise duty on that sugar which has caused loss of import duty to them, and there is no justification for imposing any duty on the country made sugar. My friend, Mr. Mitra, was not right when he said that the production of *khandsari* sugar was increasing. I do not think so. My friend, Mr. Maswood Ahmad, has quoted figures to show that there is no increase in the manufacture of *khandsari* sugar. Moreover the produce of the factory made sugar in the country has made it very difficult for the *khandsari* to prosper, because naturally when the people get white crystals from factory made sugar as cheap as *khandsari* sugar, they will not care to go in for *khandsari* sugar which is not of such a superior quality. Therefore, it is

not right to say that there has been an increase in the manufacture of *khandsari* sugar, and as the Government have lost nothing on account of the *khandsari* sugar, they cannot lay any claim on the profits of the *khandsari* and any attempt to levy an excise duty on *khandsari* sugar cannot be justified. I do not want to repeat the arguments adduced by my friends this morning. I support the amendment moved by my friend, Mr. Maswood Ahmad. Of course, we do not claim any exemption for the factories which are run by machinery. We claim exemption only for indigenous cottage industries . . . .

**The Honourable Sir George Schuster:** My friend says that he does not want to claim any exemption for factories which are run by machinery, by which I presume he means power machinery. Then he gets all that he wants in the Bill.

**Sir Muhammad Yakub:** If we get all that is wanted in the Bill, then why should not the Finance Member oblige the *khandsari* and accept the amendment, or say in clear terms that there will be no excise duty on *khandsari* sugar which is made by hand and in which no machinery or power is employed. If the Honourable Member makes it quite clear, then we shall have no objection.

**The Honourable Sir George Schuster:** I cannot make it clearer than it is in the Bill. If my friend will read the definition of factory, he will realise that we cannot levy a duty on any sugar which is produced in any concern which is not run by power and which does not employ twenty hands or more. I have already several times explained that we believe that that will exempt the whole of the industry for which all Honourable Members have been pleading, for what they called the genuine cottage industry or the agricultural part of the industry. We shall get duty from factories, run not by agriculturists, but by *Banias* in towns like Bareilly which, from our point of view, are indistinguishable from the larger factories and which work by the vacuum pan process.

**Sir Muhammad Yakub:** It is only the addition of the word "twenty" in the definition that has created all this difficulty, and if that is solved, then personally I shall have no objection.

**Mr. President** (The Honourable Sir Shanmukham Chetty): It must satisfy both the conditions. It must use power machinery, and it must employ not less than twenty men. Both factors must be present.

**Dr. Ziauddin Ahmad:** The difficulty is that on one single day in a year a larger number of people work in these factories when sugar-cane juice is brought in and get all the work done.

**The Honourable Sir George Schuster:** Sir, I must oppose this amendment. I have already made my position clear so many times that I think no repetition of my arguments is required. I would say again that we believe that none of the industry which has earned the sympathy of this House or on whose behalf several Members have spoken, none of that industry will be caught by this measure. On the other hand, as my friend, Mr. Mitra, has pointed out, to exempt the *khandsari* sugar

[Sir George Schuster.]

which is produced in factories run by power machinery would be to give artificial encouragement to an industry which is working by a less efficient method than the method employed by the larger factories. I think it will be wrong to do that, and on those grounds, it is absolutely necessary that some duty should be levied on *khandsari* sugar. We have gone a very long way to meet the point made as regards the sugar being made by less efficient methods by agreeing to a reduction of duty to ten annas. I am not at all sure myself that we have not gone too far. That however, at least, gives us a reasonable compromise basis on which to start the operation of this measure, but I am quite certain that the point made by my friend, Sir Muhammad Yakub, is really met by the Bill as it stands. On those grounds, I oppose the amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:—

“That in sub-clause (2) (ii) of clause 3 of the Bill, after the word ‘except’ the words ‘*khandsari* sugar and’ be inserted.”

The motion was negatived.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment No. 15 standing in the names of Mr. Ramakrishna Reddi, Dr. Ziauddin Ahmad, Raja Bahadur Krishnamachariar and Mr. Ranga Iyer is consequential on the one just disposed of.

**Mr. T. N. Ramakrishna Reddi**: No, Sir. This is for total .

**Mr. President** (The Honourable Sir Shanmukham Chetty): What is the amendment the Honourable Member is referring to? Will he please refer to the one which I have just mentioned? That one is consequential on the amendment that has been disposed of, and, therefore, that goes. Now, we have to take the amendments which seek to reduce the duty on *khandsari* sugar . . . .

**Mr. T. N. Ramakrishna Reddi**: I find the number given in my list is wrong.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Honourable Member must have an upto date list before him.

**Mr. B. Das**: My friend is so disappointed.

**Mr. T. N. Ramakrishna Reddi**: Sir, I move:

“That in sub-clause (2) (i) of clause 3 of the Bill, for the words, ‘ten annas’ the words ‘four annas’ be substituted.”

I really want to correct the wrong impression which has been created by the speech of my friend, Mr. Mitra, just now. My friend said that the recovery from *khandsari* sugar is in some cases about 6·7 or in other cases seven per cent, whereas in factories it is about eight per cent. He quotes from the book of Srivastava and refers to the recoveries from the

Bhopal pan system or whatever system it is. The Sugar Technologist might have carried on an experiment under favourable circumstances, and he might have arrived at this conclusion. It might be an individual instance, but I will prove from facts given by Mr. Srivastava himself that it cannot be true in all cases. My honourable friend referred to the amount of sugar that is produced by *khandasaris* and he referred us to page 28 of Mr. M. P. Gandhi's book. Therein the Sugar Technologist says, the total production of factories is 646,000 tons and of *khandasaris* 300,000 tons.

The learned author has immediately contradicted these figures and on page 29 he says:

"The estimate of the Sugar Technologist has gone far wrong even for 1932-33 and will turn out still more incorrect in 1933-34 and 1934-35 as a result of the large extension in plants, and the large number of mills, etc."

Those figures given by the Sugar Technologist are not sacrosanct, and I will prove, taking for granted that these figures are correct, that the recoveries cannot be seven per cent for the *khandasari* and eight per cent for the factory. At page 24, we find that the crushing of cane for 1932-33 by the factories is about 55 lakhs of tons, and the cane crushed by these indigenous processes is also 55 lakhs, that is to say, an equal amount of cane has been crushed both by the factories and by the *khandasaris*. What is the sugar that is produced by both according to Mr. Srivastava? The sugar that was produced from the factories is 646,000 tons, whereas that produced by the *khandasaris* is 300,000 tons. It is clear that the recovery for *khandasari* must be less than half of what it was in the case of factories. That means that if the factory got nine per cent, the *khandasari* must have got a recovery of four or  $4\frac{1}{2}$  per cent, and not more than that. Or else how can you explain this phenomenon that the factories produced 646,000 tons of sugar and the *khandasaris* produced 300,000 tons out of an equal quantity of cane crushed? We find from the Tariff Board report which is quoted by this learned author that the recovery from the *khandasaris* is only 5.25 per cent. He says that even 5.25 is excessive and it should be about five per cent.

My Honourable friend said that we should not encourage this un-economic method, this *khandasari* method. You cannot have factories throughout the country at short distance as you find in the United Provinces. All other provinces, Bombay, the Punjab, Madras and other provinces, have very few factories.

**Mr. S. C. Mitra:** How many in the whole of India?

**Mr. T. N. Ramakrishna Reddi:** For the whole of India there are 155 factories of which United Provinces has got 75, and Bihar and Orissa 37, whereas the Punjab has got only 12, Madras 13, out of which two are in Indian States, Bombay ten, Burma two and Bengal six. The area of all these Provinces is greater than the area of the United Provinces. Thus you will find that there will be one factory for a number of miles and it is quite essential, therefore, that this *khandasari* method of sugar producing must exist if the cane growers have to get a price for their cane. They cannot carry their cane a hundred or two hundred miles to the factories. There are very few *khandasari* factories. Statistics are

[Mr. T. N. Ramakrishna Reddi.]

not available, and the cost of production has not been authentically calculated, and the Finance Member himself has confessed that there are not sufficient data to know how many *khandsaris* will come under this definition and statistics are not available. On a similar ground the palmyra sugar has been excluded, namely, they do not know what effect would be produced on the palmyra sugar industry if any tax is levied. Let the Government make an investigation into the facts of the case,—what is the cost price of sugar, how much recovery is made by the *khandsari*, and what profit the *khandsari* would get if an excise duty is levied. And, then, if you are justified, levy not ten annas, but one rupee, but that will be done with your eyes wide open. But now you are doing it blindly and the effect of this duty that one can foresee will be disastrous to the *khandsaris*. As I have pointed out, they deserve total exemption, but if not total exemption, the duty should be something less than what the Select Committee has recommended. I must thank the Select Committee for showing some consideration, but yet they have not shown the consideration that is deserved by these *khandsaris*. Hence, I submit that the duty should be four annas.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:|

“That in sub-clause (2) (i) of clause 3 of the Bill, for the words ‘ten annas’ the words ‘four annas’ be substituted.”

After discussion and disposal of this amendment, amendments Nos. 17 and 18 will be simply formally put to vote if Honourable Members want it, but discussion will take place on this amendment regarding the desirability or otherwise of a reduction of the duty on *khandsari* sugar.

**Dr. Ziauddin Ahmad**: All these amendments may be moved first, and then we can discuss the whole thing. But if they are moved afterwards, then we may have to speak again on them.

**Mr. President** (The Honourable Sir Shanmukham Chetty): That is a matter of procedure. Honourable Members can make their speeches now and the other amendments will be simply put to the vote if desired.

**Mr. S. O. Mitra**: Might I suggest that it would be more formal if these amendments were moved first and then discussion went on?

**Mr. President** (The Honourable Sir Shanmukham Chetty). The Chair has no objection to that, but Mr. Ramakrishna Reddi will be in an awkward situation if he is asked to move his amendment for six annas. He is moving one amendment for four annas and he will be called upon to move another amendment for six annas. That will be rather awkward for him. Bhai Parma Nand may move his amendment for five annas if he wants to.

**Bhai Parma Nand** (Ambala Division: Non-Muhammadans): I do not want to move.

**Mr. O. S. Ranga Iyer:** Following the principle that half a loaf is better than no bread, I hope the Finance Member will feel a little merciful towards the voiceless *khandsaris* of the U. P. They have not got the excellent broadcasting loud speaking organisations of the factory people. They have not been able to carry on a raging and tearing campaign in the country. They are not able to issue leaflets, pamphlets and newspapers articles, and they have been dependent more upon the justice of their cause which illumines their case. I admit, even though voiceless, the Finance Member and the Select Committee have made some distinction, that is, Rs. 1-5-0 and ten annas. But ten annas even is a very heavy burden on the poor *khandsari* and that is why Mr. Reddi very rightly wants it to be reduced further to five annas. If this is done, it will be somewhat helpful; it will not be in any case so unhelpful as the ten annas imposition. As I said yesterday, take Shahjahanpur, the home of *khandsari*. There, from the village after the juice is taken and boiled, it is brought to the city and they have to pay between two to three annas for carting, and they have to pay one anna as municipal tax per maund. These are difficulties which do not face the factory people. I am anxious that the Honourable the Finance Member should realise the difficulties of these people at a time when financially they are in very low water. I hope that Mr. Reddi's appeal has not fallen on deaf ears and I hope that the Honourable the Finance Member will be moved to sympathise the *khandsari*. Incidentally, I may also mention that he has not removed the apprehension whether manual labour comes under power. I know it does not, but that apprehension does exist among the village people and I hope he will take this opportunity to remove that apprehension.

**The Honourable Sir George Schuster:** I should certainly like to remove that apprehension in the mind of my Honourable friend, but I must leave it to him to remove it from the minds of the villagers.

**Mr. O. S. Ranga Iyer:** I am very glad he has removed this apprehension. The representatives of the villagers have approached me and they said surely manual labour does not come under the expression "power". Then he can say so on the floor of the House.

**The Honourable Sir George Schuster:** I have said so.

**Mr. President** (The Honourable Sir Shanmukham Chetty) He has said it so many times that the Chair will not allow him to say it again. (Laughter.)

**Mr. O. S. Ranga Iyer:** I must apologise to the Honourable the Finance Member. I was unfortunately not present when he was speaking and it is entirely my fault, and now that he has said so and you have put your own endorsement upon it, I hope this will be properly reported by the newspaper press, for real apprehension exists in the mind of the uneducated villagers that they are roped in by this excise duties Bill.

Now, I am only pleading for those *khandsaris* who use water power, steam power or electric power. They have competitors in the formidable factory people who are thriving no doubt on the heavy protection that the Government have given against Java imports and as they are thriving like the green bay tree and as it has not prevented them, in spite of their prosperity, to cast evil eyes on *khandsari*, I hope that Government will come to the rescue of the *khandsari* and reduce this imposition.

**Mr. Muhammad Ashar Ali** (Lucknow and Fyzabad Divisions: Muhammadan Rural): Members of the Select Committee did consider this question of the *khandsari* when it came before them. We all knew that *khandsari* is a cottage industry and the *khandsaris* were working in the villages, and, if there were any who were working by machinery, they were the people who were not agriculturists actually, but they were those very people who although they may not have been rich millionaires who have established big mills; they were *bantias* and *mahajans* and those moneyed people, who had not much money with them, but still they could gather some of these cultivators and ask them to bring their sugar-cane to their *khandsaris*. We were convinced in Committee that we would carry rupee one as the excise duty and that *khandsari* people will not be affected so much if we reduced it from one rupee to ten annas. Now, my friend, Mr. Reddi, has brought this amendment that from ten annas we should go down to four or five or six annas. We on this side of the House will not in any way stand in the way of Government reducing the duty if they are convinced that the case of the *khandsari* as a cottage industrialist deserves sympathetic consideration. We know, as a matter of fact, that Government have raised the duty to 1-5-0, and I do not see that there is any very great unreasonableness in this amendment of my friend, Mr. Reddi, and I support it.

**Mr. Muhammad Yamin Khan:** I do not know how this duty has been retained in this Bill in the Select Committee and what is the reason. One can see that it is the greed of the people who put up the factories to monopolise even the little trade in the hands of *khandsaris*. They want that this should be absolutely abolished and this Bill will have justification if the *khandsari* ever received any kind of protection by the duty which has been increased. As a matter of fact, it is the *khandsari* who was the real producer in India and who was producing *khand* and sugar of a particular kind in India before the sugar started being imported from Java. When Java sugar came in, it destroyed the business of the *khandsaris* and the result was that when sugar was sold at three seers or two seers or  $2\frac{1}{2}$  seers per rupee, the *khandsari* had to sell at the same rate. In spite of that, there is an orthodox Hindu class who do not touch Java sugar, because it is said that in Java the purification is done by some process which goes against their religion, and for that reason it was only *khandsari* sugar that was consumed in their marriages and marriage ceremonies. Those were the only factors which kept this industry going. Otherwise, it would have been abolished long ago. This *khandsari* business is neither protected by this duty, nor has it affected the producer or the consumer. Whatever the price at which it sells, he would not get a competitor. The competition can only come with the sugar manufactured in the factories. The raising of the protection duty had no effect on the production of the *khandsari* sugar. It is going on as previously. The price has neither fallen nor risen on account of that. When people get more educated, they will begin to consume the sugar made in the factories and then the *khandsari* will have to suffer. The *khandsaris* can never produce sugar at the price at which the factory people can produce it. The only aim of the manufacturers in India is to put up a kind of duty on the *khandsari*, so that he may be forced to go out, because he would not be able to compete. The consumers in India have not the same prejudice towards sugar produced in India as they have against Java sugar.

**Bhai Parma Nand:** May I remind the Honourable Member that the Bill was not framed by the manufacturers of sugar, but by the Government, and they had included *khandsari* factories in that Bill.

**Mr. Muhammad Yamin Khan:** My Honourable friend has not followed my argument at all. I cannot repeat the same thing over and over again. Unless it is shown to the House that the *khandsari* received a kind of protection, on account of the rise in the duty, there can be no justification for imposing any excise duty on *khandsari*, especially when this was not done originally by the Government at all. If there was any data in the possession of Government that the *khandsari* is receiving or he is selling at such a price that he is making these profits, then they could have some justification for doing this, but then it would have been the Government's business to come up in the very beginning with such a proposal with full facts. Sir, I am not in favour of any duties being increased or rather introduced when a Bill goes to Select Committee. If the Government themselves are not in possession of the full data, they must wait for the next year or they must bring in a separate Bill later on with full facts, which they must then place before the House; but, in the beginning, a certain Bill was introduced on the basis of certain facts which were laid before the House, the House proceeds to judge the Bill on the basis of those facts. Members make speeches, and, all of a sudden, from the Select Committee emerges a new scale of duties . . . . .

**Mr. President** (The Honourable Sir Shanmukham Chetty): Order, order. The Honourable Member was not present here when the discussion was going on for two days. This point was elaborately mentioned repeatedly by a number of Honourable Members, and, on more than one occasion, the Honourable the Finance Member explained that it was the intention of the Government originally to tax *khandsari* sugar and that intention has not been changed in the Select Committee. What the Select Committee have done is to reduce the duty on *khandsari* sugar.

**Mr. Muhammad Yamin Khan:** I am not concerned with what the Government's intention was. I am saying that two days' time is not sufficient for us to collect the data. If we had known from the beginning what the intention of the Government was before going to Select Committee, we could verify those facts from our constituencies . . . . .

**The Honourable Sir George Schuster:** Does not my Honourable friend gather our intention from the wording of the Bill? The wording of the Bill remains exactly the same.

**Mr. Muhammad Yamin Khan:** Sir, the wording of the Bill, as far as I can see, has been changed . . . . .

**The Honourable Sir George Schuster:** Not in that respect.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Order, order. The Chair would ask the Honourable Member to resume his seat, because he is reopening a point which has been thoroughly discussed already.

**Mr. Muhammad Yamin Khan:** If this matter had been discussed before, I would certainly have no justification in reopening this issue.

**Mr. President** (The Honourable Sir Shanmukham Chetty): It was discussed.



**Mr. Muhammad Yamin Khan:** If that is your ruling that it has been discussed and disposed of and that no Member is entitled to talk on the issue which has come up before the House through an amendment, then I have got nothing further to say except that I support the amendment which has been moved by my Honourable friend. Whether Government have given any justification or not, I am not content with any speeches which have been made, and I think that the duty should not have been imposed; but even if it comes to four annas, I should be much satisfied.

**Dr. Ziauddin Ahmad:** Sir, I have been a student in school, I have been a teacher also for a very long time, and I think that the kind of treatment which the students receive from the teachers really ends in the school and that the experience may not be continued in the latter portion of our lives. Sir, there is one point which I have been emphasizing throughout the last three months and my emphasis or rather over-emphasis has been misinterpreted or misunderstood. The point I have been emphasizing is that we cannot vote in a matter of taxation either by lottery or by canvassing or by an appeal to personal interests. We can only vote on the facts which may be laid before us as a result of an independent inquiry either by the Tariff Board or by a special officer appointed by the Government, and this is the point I have repeatedly brought out and I shall repeat it whenever an opportunity arises. Now, if the Government are satisfied, after themselves making a thorough inquiry, that this is the right duty, I have nothing more to say. I should expect that they would get an independent officer to calculate what is the amount of the *khandsari* sugar produced in this country and what is really the total output, what is the income, whether the industry can pay, and so on and if the Honourable Member is satisfied that this industry can pay this amount, I individually would have no objection, but I would have great hesitation in voting simply by means of lottery or by means of canvassing or simply according to my own fancy.

**The Honourable Sir George Schuster:** Sir, in answer to what my Honourable friend has just stated, I would say to him that we stand on the principle which he himself has enunciated in this matter, namely, that we adhere to the recommendations of the Tariff Board. It is quite true that in this particular respect, with particular reference to *khandsari* sugar, it might be argued that we have adopted an arbitrary rate which was not recommended by the Tariff Board,—that is to say, that we have reduced the difference between the import duty and the excise duty to a figure which was not recommended by the Tariff Board. My Honourable friend would be quite logical in taking that line. But we did feel on broad grounds that there was some justification for making a distinction between *khandsari* sugar and sugar made in modern factories; and, as regards that, we have some support from the Tariff Board Report in two passages emphasizing the value of the *khandsari* processes of manufacture. On page 22. they say:

“The system of manufacture is of importance in the transitional stage of the industry since it can be undertaken in tracts where, either owing to want of communications or the scattered nature of cane areas, manufacture in central factories is at present impossible”.

And then they go on on page 51 to say:

“It appears, therefore, that an effort should be made to support the *khandsari* system both as holding an important position in the agricultural system of the United Provinces and as constituting an outlet for surplus cane which may be produced in the next few years”.

On those general grounds, taking into account the fact that the *khandari* process is undoubtedly less efficient than the processes in modern factories, we felt there was some reason for giving a concession to the *khandari* process and allowing it to stand at ten annas instead of one rupee and five annas. I quite admit that the exact level is rather a shot in the dark; and I have already stated that we may have gone too low, but we think, on the evidence before us, that that is a sound position to take up. We must certainly object to all these amendments which will seek to take the duty still lower. Therefore, all that I have to say now about four annas also applies to five annas and six annas. On these grounds, I oppose the motion.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (2) (i) of clause 3 of the Bill, for the words 'ten annas' the words 'four annas' be substituted."

The Assembly divided:

AYES 22.

Abdul Matin Chaudhury, Mr.  
Dutt, Mr. Amar Nath.  
Fazal Haq Piracha, Khan Sahib  
Shaikh.  
Gour, Sir Hari Singh.  
Gunjal, Mr. N. R.  
Ibrahim Ali Khan, Lieut. Nawab  
Muhammad.  
Ismail Ali Khan, Kunwar Hajee  
Jadhav, Mr. B. V.  
Jog, Mr. S. G.  
Mahapatra, Mr. Sitakanta.

Maswood Ahmad, Mr. M.  
Mudaliar, Diwan Bahadur A. Rama-  
swami.  
Nihal Singh, Sardar.  
Parma Nand, Bhai.  
Patil, Rao Bahadur B. L.  
Ranca Iyer, Mr. C. S.  
Reddi, Mr. P. G.  
Reddi, Mr. T. N. Ramakrishna.  
Sen, Pandit Satvendra Nath.  
Thampan, Mr. K. P.  
Yakub, Sir Muhammad.  
Yamin Khan, Mr. Muhammad.

NOES 48.

Abdul Aziz, Khan Bahadur Mian.  
Ahmad Nawaz Khan, Major Nawab.  
Allah Baksh Khan Tiwana, Khan  
Bahadur Malik.  
Anklesaria, Mr. N. N.  
Bagla, Jala Rameshwar Prasad.  
Bajpai, Mr. G. S.  
Bhore, The Honourable Sir Joseph.  
Chatarji, Mr. J. M.  
Cox, Mr. A. R.  
Clow, Mr. A. G.  
Dalal, Dr. R. D. •  
Darwin, Mr. J. H.  
DeSouza, Dr. F. X.  
Graham Sir Lancelot.  
Grantham, Mr. S. G.  
Haig, The Honourable Sir Harry.  
Hardy, Mr. G. S.  
Hezlett, Mr. J.  
Hudson, Sir Leslie.  
Ismail Khan, Haji Chaudhury  
Muhammad.  
James, Mr. F. E.  
Jawahar Singh, Sardar Bahadur  
Sardar Sir.  
Lal Chand, Hony. Captain Rao  
Bahadur Chaudhri.  
Lindsay, Sir Darcy.

Macmillan, Mr. A. M.  
Metcalf, Mr. H. A. F.  
Miller, Mr. E. S.  
Mitchell, Mr. K. G.  
Mitter, The Honourable Sir  
Brojendra.  
Morgan, Mr. G.  
Mujumdar, Sardar G. N.  
Mukherji, Mr. D. N.  
Mukherjee, Rai Bahadur S. C.  
Noyce, The Honourable Sir Frank.  
Rafiuddin Ahmad, Khan Bahadur  
Maulvi.  
Rajah, Rao Bahadur M. C.  
Ramakrishna, Mr. V.  
Rau, Mr. P. R.  
Russell, Lieut.-Colonel A. J. H.  
Sarma, Mr. G. K. S.  
Schuster, The Honourable Sir George.  
Scott, Mr. J. Ramsay.  
Sher Muhammad Khan Gakhar,  
Captain.  
Singh, Mr. Pradyumna Prashad.  
Sloan, Mr. T.  
Talib Mehdi Khan, Nawab Major  
Malik.  
Tottenham, Mr. G. R. F.  
Wajihuddin, Khan Bahadur Haji.

The motion was negatived.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Does the Honourable Member (Mr. T. N. Ramakrishna Reddi) want his next amendment which seeks to reduce ten annas to six annas to be put to the vote? He may move it formally.

**Mr. T. N. Ramakrishna Reddi**: I want to move it, Sir, with a few remarks. It runs as follows:

"That in sub-clause (2) (i) of clause 3 of the Bill, for the words 'ten annas' the words 'six annas' be substituted."

Sir, I will adopt another line of argument to press my case until it is heard by Government. Let them take the cost of production.

3 P. M. Let us take 100 maunds of cane. Now, the Government want to fix the price of cane at six annas a maund, so the cost of 100 maunds of cane will be Rs. 37-8-0. It has been so calculated, and I am taking it from a cutting from a newspaper. The labour for crushing this cane to extract juice will cost three rupees and the power that is used for converting this juice into sugar is estimated at Rs. 3-4-0 and some chemicals are used which cost four annas. Thus, altogether it comes to Rs. 44 to convert 100 maunds of cane into sugar by the *khandsari* process. Taking the recoveries at five per cent, the cost of production of sugar per maund will be Rs. 8-13-0. You cannot dispute these facts. If a *khandeeri* has to pay six annas per maund, it will come to that. Now, my Honourable friends are shifting their ground. Hitherto they were saying that the *khandsaris* are not agriculturists and that they were industrialists; but now my Honourable friends are shifting their ground, and I hope the House will give the weight that is due to these shifting grounds.

**Seth Haji Abdoola Haroon**: They are not purchasing cane, but *rab*.

**Mr. T. N. Ramakrishna Reddi**: If it is *rab*, they have to pay slightly more. Supposing they have to take only cane, they have to incur all this expenditure. Then the price per maund on sugar manufactured by the *khandsari* process will be Rs. 8-13-0. Even now the molasses get nothing. Supposing they realise at 13 annas on molasses, even then the cost will be eight rupees. What is the price of sugar per maund at present, it is only eight rupees, and so there is absolutely no margin of profit if they have to pay six annas per maund on cane. Do the Government want that there should be absolutely no margin of profit? On the other hand, the recovery from the mills being greater, the cost is less, and therefore, the factory people are able to bear this excess duty. That is the only point I wanted to bring to the notice of Government that they should examine this with the help of their experts and find out the cost of production.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (2) (i) of clause 3 of the Bill, for the words 'ten annas' the words 'six annas' be substituted."

The motion was negatived.

**Mr. M. Maswood Ahmad:** I beg to move my amendment in a simplified form as I have given notice for that. I beg to move:

"That for sub-clause (2) (i) of clause 3 of the Bill, the following be substituted:

'On *khandsari* sugar at the rate of eight annas per cwt. or at such rate as may be fixed in this behalf by the Governor General in Council after such enquiry as he may think fit, whichever is lower.'

My intention in this motion is to bring the rate down from ten annas to eight annas per maund. I will not go into details, but I have suggested in my motion that an investigation should be made. No investigation has been made till now and Government are not in a position to say what is the real position. Then, Sir, I have given an alternative to that, namely, that I accept eight annas excise duty, but I give the Government an opportunity, after making due investigation, to find out whether the duty of eight annas is excessive, and, if so, to lower it. That is the main intention of my amendment. Apart from the other point that the Government have not budgeted for any income from *khandsari* business, I say there is no harm if they accept my amendment. When we are discussing these amendments today, we are in great difficulty. You, Sir, very kindly ruled the other day that all the papers and the memoranda supplied to the Select Committee should be made available to Members of this House as well. I am sorry to say that the papers which were circulated to the Select Committee were not made available to us until yesterday when the Assembly Office received only a few copies of these memoranda, and, therefore, it was not even possible for the Assembly Office to circulate these memoranda to all the Members. So, it is very difficult for Members to reply to the points raised by my Honourable friends opposite on the strength of those memoranda. I hope, Sir, that in future the Government will not overlook your observations in this matter, but they will supply sufficient number of copies of the memoranda which they place before the Select Committee. This point was also raised yesterday, and it was possible for Government to have supplied copies earlier when reference was made on the floor of the House. My Honourable friend said that those who made *khandsari* sugar did not purchase sugar-cane. I suggest that that is not correct. There are two alternative courses open, either they sell sugar-cane or they make it into *rab*. When they get good price, they will certainly sell sugar-cane, and, if not they will make it into *rab* and this *rab* will be made only in those circumstances when they are not able to sell their sugar-cane. Therefore, the agriculturists will be in a difficult position if they have to make the sugar-cane into *rab*, and, if they want to convert this *rab* into *khandsari* sugar, they will feel this trouble. I hope the Government will consider this point, and I suggest they must have the power, and if they do not have this power, they will be very much handicapped if, after making due enquiries, they find after two or three months that they have fixed an unjustly high figure of ten annas excise duty for *khandsari* sugar and that they could not reduce it under the Act. So, in my amendment, I have given the Government power as well. We all feel that Government have made no investigation and without proper investigation the Government for the first time have put this Bill before the House for which they have got no data. The Government do not know what will be the position of the industry itself. It is quite strange and I cannot imagine that, in this age of civilisation, that a Government could come before the House and ask for taxation without having into

[Mr. M. Maswood Ahmad.]

their possession any data without knowing as to where they stand and without knowing the real position of the industry. It is quite strange that such a measure should be brought before the House.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved: .

“That for sub-clause (2) (i) of clause 3 of the Bill, the following be substituted :

‘On *khandsari* sugar at the rate of eight annas per cwt. or at such rate as may be fixed in this behalf by the Governor General in Council after such enquiry as he may think fit, whichever is lower.’”

**Mr. C. S. Ranga Iyer**: Sir, originally I was not minded to support this amendment of an enquiry, but after consulting the *khandsaris* of Shahjahanpur, who have been meeting me every day and discussing with me the amendments before the House, I have made up my mind to support this enquiry. They say they have nothing whatever to conceal, nothing whatever to lose if their case is investigated. The Honourable the Finance Member has taken more or less the attitude of Mr. Herbert Spencer, the expression often used by Mr. Herbert Spencer of the survival of the fittest, and this has influenced the opinion of my Honourable friend, the Finance Member. But I hope the Honourable Member recognises this quotation, an expression often used by Mr. Herbert Spencer. (Laughter.) I hope he recognises this quotation and if he does not, before this Assembly ends, I propose to produce my authority.

**An Honourable Member**: Darwin.

**Mr. C. S. Ranga Iyer**: Yes, Darwin might be more accurate, but I am only quoting from an eminent author who probably misquoted. Mr. H. G. Wells improved upon this tag and said “survival of the fitter” and he was more grammatical. That was his pose. Whether it is survival of the fittest or survival of the fitter, whether it is Herbert Spencer or Darwin, all that I want to say is this that on this present occasion in regard to this present difficulty under which the *khandsari* is faced, investigation may be made and if the Government are not sure of their facts, as they do not seem to be sure, if an investigation is made and if they find that the duty should be increased, I will have no objection if I am satisfied that the conclusions based on those investigations are correct. If an inquiry is made, I am certain that it will be found that Government are with an unnecessary lack of generosity penalising the poor *khandsari*. I knew Diwan Bahadur Mudaliar was in a rather vivacious mood when I made a very angry speech, as the Honourable the Finance Member thought, attacking the excise duties when I was talking of the poor producers of sugar. “Poor indeed!” he said; and he was right because he did not understand that I was not speaking so much for the wealthy sugar producer as for the poor *khandsari* in the United Provinces.

(At this stage, Diwan Bahadur A. Ramaswami Mudaliar rose to interrupt.)

I always give way to my Honourable friend unlike himself, because I can take care of myself.

**Diwan Bahadur A. Ramaswami Mudallar:** The Honourable Member referred on a previous occasion also to this matter. The Honourable Member said on that occasion about the poor constituents whom he represents and I said, "Poor indeed!" I was referring to the constituents and not to the *khandsaris*.

**Mr. C. S. Ranga Iyer:** I think I must acknowledge that the explanation of the Diwan Bahadur is correct. But surely he does not unsay what I have said. What have I said? My poor constituents, the poor *khandsaris*. Probably he thought that when I talked of my poor constituents, I was talking of the non-sugar producing people. No, it was a sugar debate. I did not think he could be so absent-minded, and he was not; he is only clever. Sir, I hope this House will support this appeal to Government to set up an inquiry. Government have gained everything; they have defeated us by the strength of numbers, but I should not say by the strength of argument.

**Sir Darcy Lindsay:** Or length.

**Mr. C. S. Ranga Iyer:** My friend, Sir Darcy Lindsay, says, "or length of argument". Brevity is the soul of wit. We have been particularly brief on this occasion, and I would ask Government to just investigate this matter, for they do not lose anything by acquiring more information, at least as a guidance for the future. For us the satisfaction in the meantime will be that "it is better to have fought and lost than never to have fought at all".

**Mr. T. N. Ramakrishna Reddi:** Sir, I also give my support to this amendment for reasons that I have already stated; and, if Government only agree to make the inquiry, they will find out their mistake.

**The Honourable Sir George Schuster:** Sir, my Honourable friend, Mr. Maswood Ahmad, who moved this amendment, has got three purposes in view: (i) to reduce the maximum duty to eight annas,—that I must oppose. (ii) To give the power to the Governor General in Council to have an inquiry,—that he has already got. And (iii) to give power to the Governor General to reduce the duty after such inquiry. That also he has already got under clause 10 of this Bill. Therefore, I think this amendment is either bad or unnecessary. On these grounds, I oppose it.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That for sub-clause (2) (i) of clause 3 of the Bill, the following be substituted:

'On *khandsari* sugar at the rate of eight annas per cwt. or at such rate as may be fixed in this behalf by the Governor General in Council after such enquiry as he may think fit, whichever is lower.'

The motion was negatived.

**Mr. G. S. Hardy** (Government of India: Nominated Official): Sir, I move:

"That in sub-clause (2) (ii) of clause 3 of the Bill, after the words 'one rupee' the words 'and five annas' be inserted."

[Mr. G. S. Hardy.]

The Honourable the Finance Member has already explained fully the reasons for this amendment, and I have nothing further to add.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (B) (ii) of clause 3 of the Bill, after the words 'one rupee' the words 'and five annas' be inserted."

**Lala Hari Baj Swarup** (United Provinces: Landholders): Sir, I oppose this amendment. We very carefully went through the whole question in the Select Committee and we arrived at the conclusion that one rupee should be substituted for Rs. 1-5-0 as originally proposed by Government. This decision of ours was merely based on calculation of figures and we had two chief considerations when we reduced this rate of duty from Rs. 1-5-0 to one rupee. The first consideration was to calculate the cost of production and the fair selling price. As said on page 5 of the memorandum supplied to us by the Sugar Technologist in the Select Committee, we calculated the cost of production of sugar on the basis of nine per cent extraction out of cane and at the rate of five annas, 5½ annas and six annas for cane. At the rate of five annas, the cost of production came to Rs. 6-15-10 per maund; at the rate of 5½ annas it came to Rs. 7-4-5 per maund; and, at the rate of six annas, it came to Rs. 7-11-0 per maund. If we add 15 annas and seven pies per maund as excise duty at the rate of Rs. 1-5-0 per cwt. the cost of production will come to Rs. 7-15-5 at five annas of cane, Rs. 8-4-9 at 5½ annas of cane, and Rs. 8-10-7 at the rate of six annas of cane. Sir, even if we accept that the extraction of sugar for the whole of India is nine per cent, and that fair selling price is Rs. 7-12-0 as we estimated . . . . .]

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) vacated the Chair which was then occupied by Mr. Deputy President (Mr. Abdul Matin Chaudhury).]

We will lose about three annas five pies per maund of sugar if we purchase cane at the rate of 5 annas, and about eight annas per maund of sugar if we purchase it at the rate of 5½ annas, and about 14 annas seven pies per maund if the rate of cane is six annas. Sir, as a matter of fact, the extraction for the whole of India is estimated by the Sugar Technologist himself as 8.66 per cent for last year, and he admitted in the Select Committee that the extraction for this year is expected to be lower. Sir, as a matter of fact, for the next one or two years the figure of nine per cent is not to be reached in India, because the newer factories will take time to adjust themselves and to attain this efficiency. If we calculate the prices at the rate of 6½ per cent extraction, then the loss is further increased to ten annas per maund of sugar at the rate of five annas for cane, 15 annas per maund of sugar at the rate of 5½ annas for cane and about Rs. 1-5-0 per maund of sugar at the rate of six annas for cane. With these considerations, Sir, we thought that it would be equitable to reduce the duty to one rupee, so that even if the extraction is nine per cent, and the cane price is taken at the lowest at five annas,—though I don't expect we can purchase cane even at this rate in times to come—it will be possible for the sugar industry to make its both ends meet.

The second consideration that the Committee had was that at the rate of one rupee the Government would get the same amount of revenue or

even a little more, and so they will not lose anything and their financial plan will remain intact, but, at the same time, the burden on the industry will be reduced. The Sugar Technologist in his review of the sugar industry of India, during the official year 1931-32, in Table XIX estimated the production for 1934-35 from factory sugar to be 646,000 tons. We considered this to be an under-estimate for the following reasons. After this estimate was framed by the Sugar Technologist, and, according to the list of factories supplied by him to us in the Select Committee, 11 new factories were ordered for the year 1934-35, and we expect their production to be 35,000 tons. Again, he did not in his forecast take into consideration any factories that would be ordered this year and which would be working during the financial year. The number of such factories according to the estimate supplied to us in the Select Committee is 15 and the production expected from these factories is 70,000 tons. The total of this comes to about 750,000 tons. If we add to this figure the taxable *khandsari* sugar, of which we estimate about 50 per cent might come under the purview of this Bill, that is about 125,000 tons, the Government will get a crore and a half on 750,000 tons at the rate of one rupee, and they will get about 21 lakhs on *khandsari* sugar, making a total of 1,75 lakhs of rupees as against 1.47 lakhs required by the Government.

Sir, a question might naturally be asked that when you expect such a large increase in home produce, the sugar coming from Java might be reduced below the figure estimated by the Finance Member, and thus the Government may not get the amount they expect from the import duty. Sir, in making a forecast of the estimate of revenue from imports, it is important to realise that according to the statistics supplied by the Sugar Technologist in his memorandum—the consumption of sugar during the year 1933-34 appears to have increased very appreciably. He has given the figure for import up to 24th March, 1934, as 329,000 tons. His figure for production of factory sugar during this season is 586,000 tons. Taking the production of *khandsari* sugar at the conservative figure of 250,000 tons, the total supply of sugar in India during the year comes to about 11,65,000 tons as compared with 98,000 tons and 92,000 tons in 1932-33 and 1933-34, respectively. Allowing approximately 65,000 tons out of the total supply for increase of stocks, it is evident that the total consumption in 1933-34 would not have been below 11,00,000 tons. If, as I have already explained, the price of sugar is likely to be lower in 1933-34, it is reasonable to expect that the consumption figure during that year will be higher still. I, however, for purposes of present calculation adhere to the figure of 11,00,000 tons for consumption during 1934-35 also. This figure, Sir, appears to tally with the Finance Department estimate also, because I believe that the production of Indian factory made sugar in 1934-35 would be in the neighbourhood of 750,000 tons, and that of *khandsari* sugar about 250,000 tons, making a total of one million ton and leaving a margin of one hundred thousand tons for imported sugar which tallies with the figure estimated by the Finance Department.

On both these considerations, Sir, therefore, the House will be pleased to see that if the duty is reduced to one rupee, Government will get more than what they want, and, at the same time, it will be possible for the industry to bear this burden, especially for the next two or three years to come, as our cost of production is higher now. Therefore, Sir, I request the House not to accept this amendment of the Government.



**Mr. Jagan Nath Aggarwal:** Sir, we are in a somewhat peculiar position on this measure, because the Select Committee Report, which the Finance Member has asked the House to take into consideration, recommended one rupee per maund for factory made sugar, and the Government now want to go behind the Report of the Select Committee and to have that recommendation turned down. I submit, Sir, it is not very often that such a state of affairs occurs in this House. I would recall to my friends a similar state of affairs happened when the Reserve Bank Bill was under consideration.

Well, Sir, it is well for the House to be reminded of the way which led the Select Committee to adopt this lower figure of one rupee per maund and to see whether any material has been placed before the House or before the Committee to justify going back upon the recommendation of the Select Committee. One important aspect of the case is that this sugar industry has grown and grown very fast during the last two years. It cannot be said that it was within the expectation of anybody that the sugar industry would grow at such a rapid pace, but, since the policy of the Government was to foster the growth of this industry, it is all to the good that during these two years it has covered a period of progress which was envisaged by the Tariff Board, and that was seven years. If that is so, if the artificial stimulus, as the Finance Member put it, has led the industry to grow so rapidly, have we come to a stage when that stimulus should be withdrawn? Now, as the trend of the amendments from this side will show, we are anxious to protect those factories which have recently come into existence, and at least half the number of these factories have come into being only during the last two years, according to the calculation of my friend, Dr. Ziauddin Ahmad, and it can hardly be said that these factories have indulged in profiteering to such a large extent that their profits should be cut down. That is an important point which should be borne in mind by Honourable Members of this House. Another point to be remembered is that the sugar industry is a nascent industry: it has come into being only very recently, and we might as well wait to see the result of the working of the duty on this industry. If the result of the working of this duty shows that still there are large profits made by these people and still there is a margin left,—and in the case of companies it cannot be said that they can conceal their accounts,—it will be time enough for this House and for the Government to come forward with a proposal to increase the duty or to take any action for roping in the profits to the exchequer which are legitimately their due. And, in recording their votes, Honourable Members should bear this point also in mind.

One or two further considerations I may put before the House. My friend, Lala Hari Raj Swarup, has tried to show that the estimate of the yield from this excise duty and import duty is under-estimated. Well, Sir, without going into figures, I may point out to the House that this is so. When the original duty was proposed, it was made clear that the *khandsari* sugar was within the contemplation of the Bill, because the definition of a factory would have brought them in. But it was also clear that the Finance Member was not able to count on any figures as regards the yield from *khandsaris*. That is one aspect where an error has been made. The Finance Member calculated on the yield of Rs. 1.47 lakhs from factories by way of excise. This was from 550,000 tons of sugar. From 550,000 tons of sugar at the rate of Rs. 1-5-0 it would roughly yield Rs. 1.47 lakhs, and the yield from *khandsari* sugar was entirely left out. I will put it to the

House like this. On a rough estimate, the *khandsari* yields about 300,000 tons of sugar, and putting it at a very conservative estimate—the Sugar Technologist tells us that we can rope in about 60 to 70 per cent, but I will take a much lower figure, let us take 50 per cent whom we will at any rate rope in, 50 per cent of the yield from *khandsaris*, at the rate of ten annas, would give us about 16 to 18 lakhs. That is one element of error which has not been taken into account by the Finance Member. I go further. The yield from factories,—taking it at 550,000, that is obviously an underestimate, for the reason that it has been pointed out at page 57 of Mr. Gandhi's pamphlet that the yield of sugar was estimated in 1933-34 at 700,000 tons and in 1934-35 it is estimated at 875,000 tons. This 550,000 comes in nowhere. Let me take the figures of the Sugar Technologist. His figures were 646,000 tons. When we take into account the large number of factories that have grown up and also another important fact that the setting up of sugar mills has not stopped—we were told that at least 11 were ordered after the introduction of the Sugar (Excise Duty) Bill on the 27th February,—if that is so, I do not see that we would err if we adopt the figure of 750,000 tons as the yield from factories in India. That if it is so, my proposition is that the amount of Rs. 1,30 lakhs, deducting Rs. 17 lakhs from the yield of *khandsari* sugar,—the amount of Rs. 1,30 lakhs could be had by levying a duty at the rate of even one rupee. In fact, it could be had even by a lower rate, but I am proceeding on the basis that if the Government want 1,47 lakhs, we have to make provision for that amount and for no more. The Finance Member has been at pains to point out that the whole financial structure which he has propounded to the House in these financial measures, the Budget, and the various Bills he has brought forward, is one whole, and if you take away a large slice from any one of these the whole thing will be upset. I do not see how it can be available as an argument that one should look to the yield from the sugar duty to counterbalance loss in another sphere. The Finance Member calculated only on Rs. 1,47 lakhs, and if I show to the House that in these 1,47 lakhs he ignored the entire yield from *khandsari* which comes to about Rs. 17 lakhs and Rs. 1,30 lakhs is based on an underestimate of 550,000 tons which actually would be 750,000 tons—you have no justification for retaining that figure of Rs. 1-5-0. There is another element of error to which I may invite the attention of the House, and that is that the import duty has been put down at Rs. 2,05 lakhs by the Finance Member on an estimated quantity of 1,10 lakhs of tons. The quantity imported this year was 300,000 tons, and I do not see why it will go down so far next year, particularly as it is within the knowledge of the House that at the ports Java is still able to compete and what the future has in store for us we do not know.

The House will remember the telegram which was published in the papers here that Sir William Clare-Lees, with whom Mr. Mody entered into a Pact, had gone to Holland and Dutch industrialists were meeting him in a delegation for the exchange of their surplus sugar for textiles from Manchester. This is how the telegram ran:

“Hague, March 28. Delegation of Lancashire business men headed by Sir William Clare-Lees which is at present in Holland to discuss principles of the scheme by which Britain will import from Java sugar in return for an increased quantity of British textiles to Dutch Indies met officials and ministers.”

I would put it like this. We should not look upon Java as either dead or dying so far as the export of her sugar to this country is concerned. Java

[Mr. Jagan Nath Aggarwal.]

has a great surplus and is anxious to dispose of it. If Java is not able to compete here, it may very well happen after these manipulations and conversations they may be able to arrive at an arrangement that more sugar may be landed in our ports, and the flow of sugar from Indian factories which is at present going on, of which I will place the figures before the House, may be retarded and more Java sugar may be landed in our country. If that is so, it will be all to the advantage of the exchequer; whether it is to the advantage of the indigenous industry is another matter. I put forward the proposition that these calculations, nicely balanced calculations may be upset in a very favourable measure by what is happening outside, but certainly there is no reason to suggest that we will be importing only one-third the quantity of sugar which we did this year. From the figures given to the Select Committee as to the movement of sugar to the ports which is at page 15 of the Memorandum, from December to March, Calcutta has been importing somewhere between 4,000 to 8,000 maunds every week, Madras, say, from 1,000 to 26,000 maunds, the highest 26,000 was in February. But what is more extraordinary still is that the figures for Bombay are very encouraging. We find a steady growth practically, beginning with about 5,000 in December to about 22,000 maunds on February 3rd, next week 51,000, another week 52,000, next week 53,000 and we come on the 8th March to a weekly figure of 90,000 maunds. Then, it goes down to 75,000 and 45,000. Movements to Karachi are not very significant. Therefore, I say that we have to take good care that this movement of sugar from the factories to the ports is not retarded by anything that we do in the House. There are movements outside the country to give Java a greater foothold than it has now in this country. I submit that we should weigh the dangers and we should see that we do not inflict a blow on this nascent industry in which great progress is being made and if any ill considered step is taken by this House, it will be undoing the work of several years past. Capital is already very shy in this country and the blow to the sugar industry may be such that it may not recover for many years to come.

I wish to place before this House one further proposition. I have already pointed out that the condition of the sugar industry is such that it can ill afford to stand a blow if one were inflicted by this duty. Now, Sir, it is pointed out that if a thing is inefficient we should not encourage it and it may be said that if Java can sell at three rupees per maund and we want to sell at Rs. nine or Rs. ten per maund, what is the point in encouraging this industry. Why should we not allow Java sugar to come here and sell at Rs. three or Rs. four per maund? That is a proposition that requires a little examination. We should not forget that Java is a country which established sugar factories long before the war and these factories built up reserves and they have made profits out of which they can afford to undersell us. If we were to depend solely on Java sugar, Java prices are sure to go up and we should be always at the mercy of Java. I would invite the attention of the House to the report of the Sugar Committee which sat in 1920 and which pointed out that one of the cardinal principles that should be kept in mind is that India should try her utmost to be self sufficient in the matter of sugar. If any world conflagration were to take place and our supplies of sugar were cut off, we would be in difficulty, but apart from that I look at it from the economic point of view. Sugar is a commodity for every day use for all times and for all classes of people in the

country, for which we spend in duty alone about 10 crores and the cost of which will come to 20 to 30 crores. Why should we not see to it that this 20 to 30 crores is kept in the country and distributed among the producers, the cane growers and other people and thereby enrich the economic life of this country? That is a large question which we have to bear in mind.

Now, Sir, at this stage I would like to invite the attention of the House to another consideration. I wish to examine this problem whether we have got an inefficient body of people producing sugar. Now, Sir, one of the things to which our attention was drawn in the Sugar Committee's report is that the manufacture of *gur* and the refining of *gur*, gives us only five per cent, the *khandsari* gives us only six per cent or so and the extraction of sugar in large factories is supposed to give us nine per cent. We are all glad to notice it that on the average it is about 8.6 per cent. That would mean that in some cases it would give us more than nine per cent and in some cases less, and let me in this connection invite the attention of the House to what the Sugar Technologist has said. He has pointed out that the newer factories are more efficient than the older ones in the matter of extraction of sugar, and that, in the newer factories, it has gone up even to 11 per cent in some cases. When it was suggested that the newer concerns should be exempted from the duty, the experts turned round and said you are looking at the whole thing the wrong way about and they point out that, so far as the extraction of sugar goes, the newer concerns are doing as well as anybody else. They are doing as well as any of the concerns in Java. If the cultivation and extraction of sugar-cane and sugar is much more efficient in Java, the time is not far off when we will be able to come up to their standard. The progress of decades cannot be achieved in a few days. The conditions of agriculture in this country are such that improved breeds of cane are not easy to introduce at one stroke. So to any one who would say that it is inefficient, I would say, do not be in a hurry but look at the progress so far made. The only thing that we are deficient in is as regards research in the matter of the utilisation of the bye-products and the disposal of molasses. That is a very large problem today, namely, what to do with our molasses. We have to turn it into alcohol, but you cannot allow the man in the country side to turn it into alcohol. It is a very large problem in which the research side of the Government will be very soon engaged, and I have no doubt we will be solving it, but on this account we cannot say that these sugar producers or these factories are by any means an inefficient lot for whom no sympathy can be shown. I have tried to show that so far as the yield of duty is concerned, the Honourable the Finance Member will get what he expects, more than what he expects by the duty of one rupee. My friend here suggests that the Honourable the Finance Member wants to get as much as he can from these sugar manufacturers. If that is so, then, I can only say that it is a very unsympathetic attitude. It is an unsympathetic attitude the justification for which is more than we can find out. If that is the attitude of the Government, then it is an unbecoming attitude on the part of the Government which tried to foster the sugar industry in the year 1980. If you want to go into the profits of these people, then you have a fair basis on which to proceed, but if you think that you have got the majority and that you can carry any amendment you like, then I can only say that it is unbecoming on the part of the Government.

My friend, Mr. Hari Raj Swarup, has given the House the cost of production according to the revised calculation in supersession of those

[Mr. Jagan Nath Aggarwal.]

contained in the Tariff Board's report, because the Tariff Board's figures cannot prevail at this moment. The figure of production is about Rs. seven or a little over, and how can you levy a duty of more than one rupee? If we do that, we shall be incurring a risk and we would be levelling a blow at this small industry if we were to enhance this duty to Rs. 1-5-0. I say, wait for a year and see how this duty works, and if, as a result of a year's working, it is shown that there is a large margin left and profiteering goes on, we can proceed to increase the duty; but, at this stage, caution and the interests of the country demand that there should be no increase in the duty as has been suggested by the Government.

**Sir Darcy Lindsay** (Bengal: European): Speaking on behalf of the Group to which I have the honour to belong, we will support this amendment to restore the duty to Rs. 1-5-0. I welcome this amendment, Sir, for several reasons. First of all, in my opinion, the Select Committee put forward no very cogent reasons why the duty should be reduced to one rupee. Secondly, it is unquestionable that the Honourable the Finance Member wants revenue. Thirdly, the argument was put forward yesterday that it was very undesirable to change a duty that was already being acted upon; that forward contracts had been entertained into, and it was very upsetting to have further changes made. And, lastly, Sir, in my opinion, this excise duty of Rs. 1-5-0 comes in as a very necessary check on the unhealthy expansion of the industry. If the industry as a whole is to succeed in India, it must be on moderate lines and not by every one jumping into the field and putting up a factory, because he sees a handsome profit.

Now, Sir, we have heard a good deal about the profits made by factories—the small profits made by factories, the fact that this excise duty will ruin them, but, Sir, if we look into the position, I think the House will be agreed that the factories that have hitherto been working have been making very handsome profits. I heard of one case where a factory that has only been about three years in existence—the factory is at Meerut—made in two years sufficient profits to pay for the whole of the expenditure on the factory (Hear, hear) and I believe that in the present year they have made something like four and a half lakhs of rupees. The capital, I am told, is about nine lakhs. I have seen prospectuses advertised in the daily papers setting forth the advantages of having shares in sugar factories and promising, in one case, thirty per cent. In another case—I have a prospectus here, true it was issued as far back as last October and they do not appear yet to have received the full subscriptions, but this company offers to its shareholders the very handsome return of seven lakhs of rupees per annum on a hoped-for capital of sixteen lakhs? (Hear, hear.) If there are any Members in the House who would like to take shares, they might come to me and I will put them in the right way, because those who act as brokers have a life-interest in the concern, a life-interest in the prosperity of the company, they have patrons, they have governors who receive a handsome fee for every meeting they attend and their railway fare is paid.

**Diwan Bahadur A. Rāmaswami Mudaliar:** When was the prospectus first issued?

**Sir Darcy Lindsay:** In October.

**Diwan Bahadur A. Ramaswami Mudallar:** And it is still going on? And that shows how people are rushing to buy the shares!

**Sir Darcy Lindsay:** They are still going on. My Honourable friend, Seth Haji Abdoola Haroon, in his speech, showing how many of these concerns were going to fail, made a particular reference to the very heavy depreciation that they had to provide for, even as much as thirty per cent on new machinery. Now, Sir, I put it to my friend, Mr. Abdoola Haroon, and others who own these mills, that if they will pay a little more for expert engineers and expert managers, there will be nothing like a depreciation of thirty per cent.

**Seth Haji Abdoola Haroon:** Are expert engineers available in India at present?

**Sir Darcy Lindsay:** I cannot say.

**Mr. B. Das:** There is the Sugar Committee of the Imperial Council of Agricultural Research which exists—if there are no sugar experts to advise?

**Sir Darcy Lindsay:** I have heard of factories who employ as engineers men on a salary as low as Rs. 75.

Now, I put it to the House that under those conditions it is not surprising that the machinery should very soon go wrong. Now, in connection with this sugar industry in India, I very much doubt whether it would ever be quite the success that we all hope for, because I am told India is not a country in which sugar-cane grows to that high productive quality necessary to give a good yield to the mill. The best cane that we find in India is, I think, grown around the very factory the Honourable the Finance Member referred to when he introduced the Bill—that at Belapur. There, by a very careful cultivation, manuring and other means the cane is, I believe, the richest in India. I am well aware that great efforts are being made with the nurseries at Coimbatore. We have experiments being made in the Provinces. Sugar-cane seems to be a very peculiar growth: the sugar-cane of one Province does not like growing in another (Laughter), and the Coimbatore variety, even the best type, does not produce anything like satisfactory results in the United Provinces or the Punjab. I cannot explain why it should be so. My Honourable friend, Mr. George Morgan, yesterday made the point that we must improve the quality of our cane and I entirely agree with him. In my opinion, the efforts should be made in the Provinces themselves. I am told that in Java the great success of the sugar industry was due to the care taken to improve the cane. There was co-ordination amongst all the factories. Many of the factories have their own plantations adjacent to their mills. They are required, I believe, by the Government to publish returns showing the means they adopt to improve the growth of the cane, the manure they use and what are the results. There is no secret about it whatsoever. I am quite sure that if we were to do something on those lines in India, there would be a possibility of improving our cane.

[Sir Darcy Lindsay.]

Another point that I would like to make is this. In my view, there has been some reckless expansion in the Provinces and the factories are too close to each other. I would much sooner see the system that was adopted in Uganda in connection with their cotton. In Uganda, the Government take charge. They issue the cotton seed and they see that the cottage cotton plantations are properly weeded and looked after. They supplied markets for the sale of cotton and they licensed ginning factories to work in areas of 25 miles. There is no competition between factory and factory, and that has made in Uganda a very great success.

**Mr. S. G. Jog** (Berar Representative): The industry was nationalised.

**Sir Darcy Lindsay:** The system of cotton growing was in the hands of the Uganda Government.

Now, Sir, when I refer to the growth of factories in India, there is always the great danger of over-production. Over-production means that we would have to export our surplus stock. That has been referred to by several Members. They have hoped that we should reach such a stage. I, on the other hand, would deplore our ever reaching that stage, because there is not the world market available. We would be unable to dispose of our surplus stock. We cannot produce at the figure that some other countries can produce. Java, for instance, is a long long way below our cost. The same is the case with Cuba and other countries. They get a very fine return from their cane. Java cane, for instance, I am told, gives as much as 70 tons per acre and that is why the Java sugar is so very cheap.

**Seth Haji Abdoola Haroon:** In how many years have they been able to get this yield of 70 tons per acre?

**Sir Darcy Lindsay:** I think this 70 tons per acre was produced by the discovery of a particular chemical manure which greatly improved the quality of the cane.

**Seth Haji Abdoola Haroon:** Can you say in how many years Java was able to get more cane per acre?

**Sir Darcy Lindsay:** That I do not know.

**Seth Haji Abdoola Haroon:** May I inform the Honourable Member that for the last 40 years they have been trying to get more cane per acre and we have not been in the field even for two years.

**Sir Darcy Lindsay:** I hope India in a great deal less than 40 years will reach a state when the cane will give good results.

(Further interruption by Seth Haji Abdoola Haroon.)

**Mr. Deputy President** (Mr. Abdul Matin Chaudhury): Order, order. The Honourable Member is not giving way.

**Sir Darcy Lindsay:** Sir, the danger of over-production was brought home to me very strongly when I was in Australia in 1926. Queensland is the great centre of sugar production and the yield there is anything

from 14 to about 84 tons per acre. Now, the cost of the production of sugar came to, on the average, £19 per ton which was a long way above the world parity, the world parity at that time being somewhere about £11. Queensland had a surplus stock of something like 500,000 tons and they had to sell it. It was sold in Europe at £11 a ton. Now, to make up the loss to the producer the Government of the Commonwealth of Australia imposed a duty on sugar which meant that the people of the country had to pay £26 a ton with the world's parity at £11. That is a position that I hope India may never be in. On an average production of 7,500 tons of sugar in the season, I estimate that this excise duty of Rs. 1-5-0 will come to about two lakhs of rupees and that is what these companies will have to face, who, as I have shown, are making the large profit of 4½ lakhs on the average. Sir, I support the amendment.

**Mr. K. O. Neogy** (Dacca Division: Non-Muhammadan Rural): Sir, if I had not known my Honourable friend, Sir Darcy Lindsay, very intimately, I should have thought that my Honourable friend was grudging the sugar industry the expansion that it has achieved during these few years, and, furthermore, that he is opposed to the very principle of protection so far as this industry is concerned. He pointed out that India is peculiarly unfit for the cultivation of the proper type of sugar-cane.

**Sir Darcy Lindsay:** I do not think I pointed out that at all. I pointed out that the soil of India was not suitable for the cane of a very high production.

**Mr. K. O. Neogy:** That is what I said. Now, Sir, he further pointed out the utter inefficiency of the technical staff and he deplored the reckless expansion, as he termed it, of the industry during the last few years. He pointed out the instance of Uganda and deplored the fact that the factories have been set up rather too close together. Then he mentioned the danger of over-production; and, as a warning to those who are optimistic enough to think that India may be in a position to export her surplus stock of sugar to the Empire countries and to Great Britain in particular, he said, "Do not be too sanguine about it". He went to the length of saying that he would deplore such an over-production. Now, Sir, I thought that my Honourable friend was a believer in Empire preference. I was very much surprised, therefore, to find my Honourable friend trying to throw cold water on the enthusiasm of some of my Honourable friends who are foolish enough to entertain the hope that in some distant future India might hope to sell her surplus sugar in Great Britain under the scheme of preferential tariff. Perhaps my Honourable friend was led to make these observations, because of the negotiations that are at the present moment going on between the Dutch sugar interests and the Lancashire textile interests. (Hear, hear.) My Honourable friend perhaps thinks that, as soon as these negotiations terminate, there will hardly be any room for India to hope to land her surplus sugar in Great Britain.

**Mr. F. E. James:** May I just rise to make a point clear to my Honourable friend? Neither my Honourable friend, Sir Darcy Lindsay, nor any Member of this Group had that in mind in the slightest degree. I believe the basis on which we support this particular amendment is the basis of the recommendation of the Tariff Board which we do not concede has been adequately shaken by the manufacturer. That is the only basis on which we take our stand.



**Mr. K. O. Neogy:** That would be a cogent argument in favour of the amendment, but that was not put forward by my Honourable friend. I thought he was making a third reading speech. I do not know what bearing all his observations have upon the particular amendment that we are discussing. Now Sir, I would come at once to the amendment and my position in this matter is that the Honourable the Finance Member deserves to get only that much of money which he said he looked forward to so far as this particular item is concerned. My Honourable friend, Mr. Jagan Nath Aggarwal, said that the Honourable the Finance Member was out to get as much as he could. I do not know whether my Honourable friend gave any indication of this attitude in the Select Committee.

**An Honourable Member:** Yes.

**Mr. K. O. Neogy:** If so, I think it would be very wrong for this House to assent to this.

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

The House, as the custodian of the interests of the tax-payer, should give nothing more to the Honourable Member than what he actually needs.

**The Honourable Sir George Schuster:** That is why I want to get as much as I can, so that I may get what I need.

**Mr. K. O. Neogy:** The Honourable Member gave an estimate of what he expected from this source. I think it has been made quite clear by the previous speakers that, even if we adopt a lower figure, the Honourable Member would get all the amount that he actually needs. Even if the estimates of the Honourable Members who have spoken against the amendment were to turn out to be incorrect, I, for myself, would examine the proposition from another point of view. Is the proposed duty likely to adversely affect the industry? That would be the most important consideration that we should bear in mind apart from the question as to whether the yield of the proposed lower rate of duty comes up to the expectations of my Honourable friend. So far as that is concerned, I should like to tell this House at once that although I represent a constituency in Bengal in this House, I should like to examine this particular measure apart from any considerations of profit that my Province might make if we were to adopt certain proposals of the Government. I should be indeed very sorry to have to impose a duty on a very important industry in this country at a rate which it cannot be justly asked to bear simply for the reason that unless I am to agree to that, the relief that we seek would not be forthcoming to the fullest extent. So far as Bengal's claim is concerned, I personally have been putting forward the view that inasmuch as the jute export duty does not come out of the pocket of the foreign consumer, it falls on the producer in those provinces which, it is said, have got a monopoly in regard to that commodity. For this reason, I think that we are entitled to have the proceeds of the jute export duty, whether or not the Government of India are in a position to find a substitute for it so as to balance its Budget. I am not going to be influenced to the slightest extent, so far as this measure is concerned, by the consideration as to whether or not the Honourable

Member is in a position to carry out the obligation in this matter which the Government of India owe to the three principal Provinces that produce jute. Judging from the figures that have been placed before this House, by my Honourable friend, Mr. Jagan Nath Aggarwal and Mr. Hari Raj Swarup, I have no hesitation in saying that at the lower rate of duty the Government would be enabled to obtain the full amount that the Honourable the Finance Member hopes for. I am particularly struck by the under-estimate which my Honourable friend has made not merely of the home-produce—the expected production of sugar during the forthcoming months—but also of the expected imports of Java sugar. I dare say that my Honourable friend is in possession of authoritative figures to show what the normal consumption of sugar is in this country in a particular year. If we know that particular figure, it should not be very difficult to find out as to how much of it is likely to be supplied by imports and how much of it is to be supplied by the home producers. Now, judging from the figures that have been placed before us, it seems to me that my Honourable friend has under-estimated not merely the import figures, but also the production in the country, and he has also under-estimated, as a consequence, the total consumption of sugar. Unless my Honourable friend is in a position to convince me that the figures that have been given are altogether wrong, I am afraid I will have to vote against this amendment.

**Mr. S. C. Mitra:** My Honourable friend, Mr. Hardy, moved this amendment without any speech and without any argument. I think he is a straightforward man and he thought that there was no argument except the strength of votes. I also thought there was no necessity for us to make a number of speeches. I once appealed to you that under the procedure of this House there is no means of recording the opinions that are passed in the Select Committee, and, unless you help us in this direction, it will be my duty to read the explanatory notes.

**Mr. President** (The Honourable Sir Shanmubkam Chetty): That point is engaging the Chair's attention. As a matter of fact, the Chair has asked the Legislative Assembly Department to estimate the cost of printing and publishing all the proceedings of Select Committees which are placed before the House. In the meantime, in order that Honourable Members may get easy access to all the reports of Select Committees that have been presented to the House, the Chair has now given instructions that beginning from 1921 when this new Assembly came into existence, the Library will keep bound volumes of all the Bills introduced in the House each Session and also all the reports of Select Committees that have been presented to the House. (Applause.)

**Mr. S. C. Mitra:** We are thankful to you for this decision and this will help us greatly. I only thought that if in the debates the minutes of the Select Committees are also printed, that will help us very much. Coming to the Bill, the people in Bengal thought that, with the success of sugar industry in India, they will have an alternate crop by which they can get some money. Sir, we in Bengal had to depend mostly on rice crops in earlier days. Then the jute cultivation came in, and, after a few years, it helped the poor cultivators very much. Sir, though it is the monopoly of Bengal to produce jute, unfortunately, due to the helplessness of the poor cultivators, it has become a monopoly of the jute industrialists who dictate any price they like. I do not know how far the attitude of the

[Mr. S. C. Mitra.]

European Party is now dictated by the consideration that the Bengal cultivators may not have an alternative crop in sugar-cane. Sir, we in Bengal further feel that if by this Excise Bill the margin of profit is diminished, it will be very difficult for Provinces like Madras, Bengal and Bombay, which have not already started these industries, to start sugar mills at all. They will be in a very difficult position to compete with the sugar manufacturers in the United Provinces and Bihar. And, in our explanatory note, we have tried to make it clear that they will not get the same advantages as were contemplated by the Tariff Board itself. I shall only read a few lines from that note:

“Taking the price of Java Sugar and the price of Indian Sugar we are convinced that owing to internal competition there is no strict parity in selling prices between the two. It is admitted that in some centres at any rate Indian Sugar is sold at rates lower than those of Java Sugar. We have tried to compare the price level and also to work out on the basis of Tariff Board calculations the fair selling price of Indian Sugar. It has unfortunately not been possible to get an agreement on the facts with regard to these prices, but we feel convinced that an excise duty of Re. 1 will more correctly represent the duty which the industry can pay, having regard to the declared intention of the Government to give an effective protection of Rs. 7-12-0 per cwt.”

This is a further consideration which should appeal to the Honourable the Finance Member not to go behind the decision of the Select Committee.

My Honourable friend, Mr. Aggarwal, has given figures from which it is clear that the revenue of one crore and 47 lakhs can be easily had even at the reduced rate of one rupee; because an expert like Mr. M. P. Gandhi shows conclusively that we can expect about 800,000 tons in the current year. But even calculating that the production next year will be about 750,000 tons, we can easily get a revenue of one crore and 50 lakhs, and, in addition to it, we are certain to get about 17 or 18 lakhs, according to the calculation of Government, from *khandsari* sugar.

Sir, I agree with my Honourable friend, Mr. Neogy, that the contribution to Bengal is not a relevant matter that should guide us in making our decisions on this Bill. These are independent measures and should be judged on their merits. Though I oppose this amendment on various other arguments, I think the decision to pay half of the excise duty on jute to Bengal will not be interfered with, because the central revenue will remain the same. But I personally think that it is absolutely irrelevant in connection with this measure.

Sir, my Honourable friend, Mr. Aggarwal, read a message from Hague. I shall be very much obliged if the Honourable the Finance Member will disabuse our minds about that statement that Sir William Clare-Lees is now at Hague initiating negotiations, so that we may clearly understand that we may not be sold again for British interests in connection with sugar as well.

**The Honourable Sir George Schuster:** Sir, may I tell my Honourable friend that I myself have absolutely no information about these negotiations and that I am personally responsible for these proposals? I can assure my Honourable friend that there has never been the slightest idea in our minds in making our proposals, with reference to anything, except a policy suitable in the interests of India, either in the development of the sugar

industry or for raising revenue. The other consideration is entirely irrelevant. As a matter of fact, as I say, I know nothing whatever about it.

**Mr. S. C. Mitra:** I am very glad to have this assurance. As a matter of fact, when elaborate reports about these negotiations were published in the *Free Press Journal* of Bombay, we did not pay much heed to them. But now that Reuter's message from Hague confirms it, that made us a little bit suspicious. However, I am glad that in this measure there is no dictation either from England or from outside.

**Rao Bahadur B. L. Patil** (Bombay Southern Division: Non-Muhamadan Rural): Sir, I rise to oppose this amendment. I oppose this amendment, because I feel that the higher duty will react on the cultivation of cane, and that in its turn will affect the provincial revenues. As to my first proposition, I submit, Sir, that the cultivation of cane will be affected, firstly, if some of the existing factories close down, and, secondly, if it prevents the establishment of new factories. We may for the time being admit that the existing factories may not be closed down; but I am quite sure that the higher duty will certainly check the establishment of new factories. Because the present Bill under consideration has already created a sort of panic amongst the investors, and every investor, small or great, is unwilling to come forward to purchase sugar shares. Specially in Provinces like Madras, Bengal and Bombay, where they have little knowledge about sugar factories, the feeling is greater. Sir, I speak from my personal knowledge.

When I came to Delhi, I knew that there were a large number of schemes in contemplation, and now I have received letters from the promoters of those schemes that they are now going to cry halt. Sir, we know that in this country capital is very shy. It was the good luck of the country that during the last two years it has made very rapid strides, but now I am sure that the effects of this Bill will be extremely adverse to the growth of the industry. At any rate, one result is definite; that is, if factories close down or if new factories are not established in different parts of the country, there will be no encouragement for cultivation of sugar-cane. We know that Provincial Governments have invested crores of rupees in irrigation works and they expect to get a return from that source. If the cultivation of sugar-cane is hindered, that source of revenue will be stopped, and I might also add that there will be ever more occasions for the Provincial Governments to give remissions and suspensions of land revenue.

Sir, the principal objection advanced is that there is a likelihood of over-production in this country and so it must be checked. Personally, I do not entertain any such fear. The objection is premature, and it cannot be substantiated for a moment. We know, Sir, that India is still importing large quantities of Java sugar. We also know that the use of sugar and the use of bye-products of sugar-cane are not yet fully explored in this country. We also know that the *per capita* consumption of sugar in this country, as compared with the *per capita* consumption in other countries, is extremely low. There is also a possibility of white sugar replacing the use of *gur*. And, lastly, Sir, we have got the Empire markets, if not the world market. For all these reasons, I think the fear of over-production is entirely unfounded, and nobody can say at this stage that the production of sugar should be checked.

[Rao Bahadur B. L. Patil.]

Then, the next ground advanced against sugar factories is that this cut in the margin of profit will create a necessity for higher efficiency. I do not believe in this reduction of the margin of profit; because that takes away the little scope for improvement and for further capital outlay in the factories. The best means of creating a necessity for increasing the efficiency would be to encourage internal competition. That would be the most healthy means of creating a strong necessity for increasing the efficiency of the factories.

Then, there remains one other thing. The Finance Member seems to be of the opinion that the imposition of this duty is not likely to affect the cultivation of cane to any appreciable extent. If you look to his Budget speech, page 19, we find some figures. On that page, in the footnote, it has been stated that out of 48, only four million tons is the consumption of factories in India. That was the case in 1931-32, but we must remember that in 1931-32 we had half as many factories as we had in 1932-33. Therefore, the consumption of sugar-cane must have been doubled in the year 1932-33, and, if you calculate on that basis, I am sure, Sir, that the consumption of sugar-cane in the year 1933-34 must be still higher. Therefore, we cannot ignore this point. If factories are affected adversely, I am sure, the cultivator of cane will also be seriously affected. For these reasons, I oppose the amendment.

**Bhal Parma Nand** (Ambala Division: Non-Muhammadan): Sir, in my speech yesterday, I gave quotations from the Protection Act of 1932 to indicate the solicitude of the Government to protect and foster the sugar industry in India. It is a surprising fact to note that today, within less than two years, one great argument that is placed before us is that Government are very anxious to stop the multiplication of sugar factories in this country. My friend, Sir Darcey Lindsay, told us that he knew at least of one factory in Meerut that made enormous profits, not only last year, but even this year. It may be quite true that one factory might have made large profits, or, for that matter, more than one factory might have made large profits, but that does not prove that all the factories have become very profitable concerns and that, therefore, we should become so eager to stop the over-production of sugar by limiting the number of sugar factories. My question is, Sir, are there industries and no large factories in other countries which have been and still are making profits? When those industries were growing did the Governments of those countries put checks on the growth of those industries, merely because those industries made large profits? Take the case of Java which has been exporting sugar to India during the last 40 years.

Now, my question to the Finance Member is, whether the Government of Java took any steps to prevent the high profits made by the sugar factories in Java? Sir, I had occasion to go to the British Colonies in South America and also to the colonies in South Africa; there I had a chance to visit certain sugar factories, and I remember one simple fact with regard to them, and it is this. After the abolition of slavery in England, some of the sugar plantations and factories, which were starving on account of the absence of labour, both the British Government and the Government of India had recourse to that notorious system of indentured labour, and labourers were taken from India to South Africa and also to South America just to supply these factories with the amount of labour they wanted. That was a

system of the nature of semi-slavery. I want to enquire whether the Governments of those colonies or the British Government were very jealously watching the profits and dividends of those factories and whether they were trying to make money out of the growth of those industries?

Again, Sir, are there no other kind of factories in this country? There are jute mills, paper mills and other factories. Why is it that the Government are not so jealous of them? We have not heard much at least in this House about the high profits or dividends which these factories are making. The only reason, that I can imagine in the case of the sugar industry, is that the Government claim to have given this industry the so-called protection, and, therefore, it is that the manufacturers of sugar are being subjected to so many taunts and unfavourable criticisms. If I were to represent the case of the manufacturers of sugar in this country, I would most humbly submit to the Government that they should give up this idea and withdraw the protection altogether, reduce the duty to the original import duty *plus* the surcharge and leave these factories free to fight for their success. At least we should not be under this false impression of the sugar industry being protected by the Government. The only consequence in that case would be that after some time the surcharge would disappear, but I think by that time these factories would be in a position to be strong enough to establish themselves in this country.

There is only one point more. Sir Darcy Lindsay referred to the forward contracts, and that is one particular question that I want to put to the Finance Member. He is very anxious about the money that he could get from the people, but there is another thing he should consider well and that is that the business contracts that the commercial people have entered into with the manufacturers should not be upset and the commerce of the big cities should not be put in a sort of confusion. We had a deputation from the Cawnpore merchants and dealers in sugar, who said that they had entered into contracts with manufacturers before this Excise Duty Bill was introduced in this House on the 27th February. Government, who are so anxious about their finances, should also show a little care for the finances of those people who have entered into forward contracts as these contractors have entered into contracts with other sub-contractors, and they, with other dealers and so on. I should like to know whether the Finance Member would be willing to leave these contracts free from this duty. It may be said: "This is not the system as we have been proposing taxes on customs and increasing other taxes without previous notice, every year". The case of other duties and other taxes is altogether different. Here we have got a new tax altogether. It is an excise duty on a fresh industry which could never be expected by anybody. I wish to place this last point to the Finance Member whether he would be willing to exempt those contracts which had been made before the Bill was introduced; otherwise, I think the whole commerce of the big cities would be put in a sort of confusion. With these words, I oppose the amendment that has been moved by Mr. Hardy on behalf of the Government.

**Diwan Bahadur A. Ramaswami Mudaliar:** At this late stage, I do not wish to detain the House very much longer. I have been compelled to rise and make a speech on this amendment, because it seems to me to be contrary to all usual practice to put the onus of proof on the majority of the Select Committee, and the Government, so conscious of the rectitude of their own case, have not cared to controvert any of the arguments that have been used in the majority report.

[Diwan Bahadur A. Ramaswami Mudaliar.]

In the first place, I have to explain that the majority members have been obliged to put in what they call an explanatory note owing to the very peculiar circumstances under which the Select Committee Report was prepared. On Sunday last, we had a late sitting and finished discussing the details of the proposals, and, on Monday morning, to our surprise, without any more meetings of the Committee, while we were in the thick of the discussions on the Indian States (Protection) Bill, a *chaprasi* came round to members of the Committee with a fair copy, and only a single fair copy, with four or five signatures of Honourable Members of Government already in it, and asked us to put our signature on it then and there. That was the treatment which the Honourable the Chairman of the Select Committee thought it courteous to extend to us, members of the Select Committee. We were not even given copies of this Report, so that we might go through them at some leisure, or at least 24 hours' time. Pressure of business, the fact that the Finance Member had to submit the Report within seven days according to the original Resolution of this House probably influenced them in treating members of the Select Committee in so non-chalant a fashion. What we were then obliged to do was to read the Report very hastily and return it for other members to go through it, and from a recollection of what was contained in the Report which was presumed to be the opinion of the majority, but which was drafted by the Government Draftsman—with that material before us we had to sit and prepare an explanatory note, so that our position might be made clear. It is an unfortunate incident, and I hope it will not happen in future; at any rate, it is a warning to this House that when they expect a Select Committee to report within seven days or five days, they are thoroughly mistaken in putting a limit on them like that, and Members are rushed and they are made to work at odd hours. Well we do not complain of it, but they are not even given a chance of studying the Report, or what is far more important, when the majority views are being embodied, to say how and in what terms and for what reasons they are being embodied in the Report of the Select Committee's Report. The majority took the view that one rupee was a fair amount of duty and that Rs. 1-5-0 was unfair, so far as this Bill is concerned. Now, I am obliged on the floor of the House to give my full reasons for that

**The Honourable Sir George Schuster:** May I on behalf of the Draftsman explain what happened? The Draftsman asked the members of the Committee to give him the reasons, so that he might draft the Report, and I am informed that he was unable to get any statement from the Members. He did prepare a Report as well as he could on that basis. I myself went through the draft and revised it and I flattered myself that I had represented the views of the majority. It certainly was not the Draftsman's fault if the views were not better stated. Apart from that, my Honourable friend knows the pressure under which we were all working then. If any Honourable Member had taken objection to that procedure and said: "We cannot sign this Report now; we must have time to consider it". I am sure, my Honourable colleague would have seen his way to accommodate them.

**Diwan Bahadur A. Ramaswami Mudaliar:** I do not want to pursue the controversy except to say that myself and Mr. Mitra sent a chift round

to say that we could not sign it till we had a copy of it. We were furnished with the original, but we were told that we must return it by next morning. That is a small matter. I do not want to put the blame on anybody. I would only say that the Draftsman was there throughout the discussion, and either he has done an injustice to us or we have done an injustice to ourselves, I prefer to believe the latter. In any case, within 24 hours we drew up an explanatory note which sums up our general position. The first sentence of that note is :

"Taking the price of Java sugar and the price of Indian sugar we are convinced that owing to internal competition there is no strict parity in selling prices between the two."

The Finance Member's case was this. At present we have imposed a duty of Rs. 9-1-0 on Java sugar. This is far in excess of what the Tariff Board recommended. We agree that a duty of Rs. 7-12-0 is necessary and sufficient for this industry. Therefore, there is a balance of Rs. 1-5-0, and it is that balance that we propose to collect as excise duty. Now, it is obvious that there is a balance of 1-5-0 if the price of Java sugar and the price of Indian sugar is exactly the same. It is then that you get this difference of 1-5-0 keeping intact the amount of protection 7-12-0 which the Tariff Board recommended for this industry.

Now, what are the facts, and that is what we mean by parity of prices. I will take the figures given by the Government themselves through their Sugar Technologist. We have been given a series of figures of the price of Java sugar at the Calcutta market. I will take only the figures for February and March this year. In February, 1934, the cost was Rs. 10— the selling price. In March, it was Rs. 10-2-0. The corresponding monthly averages of prices of Indian made sugar in the same Calcutta market are as follows. In February, 9-4-0, that is 12 annas less, in March, 9-8-0, that is 12 annas less again. What does it establish? It establishes indisputably the fact, taken from figures which your own expert has supplied and not from figures of any industrialist, that there is a difference of 12 annas between the selling price of Java sugar and of Indian made sugar in the Calcutta market. Where is the parity then? Where is the efficient protection of 7-12-0 if from that price you again take away at the rate of 1-5-0 per maund? Now, Sir, again the sugar-cane expert goes on :

"Spot quotation for Java Sugar in Calcutta market on the 23rd March, 1934, was Rs. 10-1-0 per maund. On the 21st March, 1934, the nearest date for which quotations are available, the first grade crystal sugar was quoted in Calcutta for a number of Indian factories as follows: Factory No. 1, Rs. 9-6-0, factory No. 2, 9-7-0, factory No. 3, 9-2-6, factory No. 4, 9-0-0, and factory No. 5, 9-12-0."

As is usual in these cases he takes the average price and says :

"The difference between the mean of the above quotations, namely Rs. 9-5-6 and Java spot price is 0-11-6, whilst the difference between prices of best quality Indian sugar and of Java sugar is five annas."

Now, you have got a difference of 0-11-6 or 12 annas as we have seen from the average monthly price between Java sugar and Indian sugar in the Calcutta market. In the Madras market, the difference is a little less, but even there, the Sugar Technologist and the export points out that there



[Diwan Bahadur A. Ramaswami Mudaliar.]

is a difference of two annas three pies per maund between Java sugar and Indian sugar, the Indian sugar being lower, of course. He continues :

"It would appear from these figures that in markets like Calcutta where too many factories are trying to sell their sugar, Indian sugar is not getting prices in accordance with Java parity, but in the case of markets like Madras where internal competition is not so keen, parity with Java prices is still being maintained,"

not absolutely, but only relatively, because, as I have said, there is a difference of two annas three pies per maund. We were not groping in the dark. We had these facts before us and that is why we said, when this parity is not kept up, a duty of 1-5-0 means an effective reduction in the amount of protection, namely, 7-12-0, which you state you are giving. Nor, was this all. We asked the sugar-cane experts to work out the basis of the costs in the factory on the analogy of the Tariff Board calculations, not merely to take the Tariff Board figures and then adopt them, but taking present day conditions and taking all other factors which he can legitimately take into consideration in view of the increased development of the sugar industry. We asked them to take the figures and work out the cost. We were not groping in the dark. We did not take any figure which any sugar-cane manufacturer gave to us. My Honourable friend, Dr. Ziauddin, has done a grave injustice in suggesting that we took the figures from any Tom, Dick and Harry and accepted them as gospel truth and then worked out the basis. Nothing of the sort. We tried to examine this case as scientifically as we were capable of examining. There is a wide difference, wider than is represented by this gap in the floor of this House between the Honourable Members on the Treasury Benches and we on the Opposition side. So long as this system of Constitution remains. so long as they cannot be replaced by us, their words are Biblical truth, our words are mere guesses and have no value at all. The Honourable the Finance Member may indulge in all sorts of economic heresies. They will be implicitly believed by the House on that side and unfortunately also by certain Members on this side. When we can cross the floor and work out alternative policies, then and then alone will this side of the House be respected for any statements that it makes with reference to facts, figures, policies and programmes. That is the reason why I was referring to the fact that there is a constitutional inhibition which militates against our putting forward views which will be approved by this House.

Now, Sir, as I said, we tried to work out these figures on a scientific basis and we asked the sugar-cane expert to work out a fair  
5 P.M. selling price ex-factory, taking broadly speaking, the lines on which it was worked out by the Tariff Board, but modifying it in any way he considered proper in the light of the present day conditions of the industry. He made those modifications and I should like to refer to those modifications before I read out the figures that he arrived at on that basis :

"Modifications required under present conditions."

That is the heading which the Sugar-cane Technologist gives before he works out these calculations :

"The basis adopted by the Tariff Board,"

—he says:

“needs modification now in the following respects, due partly to changed market conditions and partly to discrepancies in the date supplied to the Board.”

So it was not a mere mechanical adaptation of the Tariff Board's basis of figures. It was something far more important, and when I give the modifications, the House will realise how far he has brought down the cost of factory manufactured sugar. Capacity. This is the first modification that he has made:

“The quantity of cane which a factory of the type considered by the Board can crush is much higher than 13 lakh maunds cane per season. Several such factories actually working at present have crushed 20 to 23 lakh maunds. A figure of 18 lakh maunds may be adopted as a conservative average.”

So that, in place of the 18 lakhs which the Tariff Board took, the Sugar Technologist takes 50 per cent more, namely, 18 lakhs of maunds. This has got an inevitable bearing on every item of the cost of production which he arrives at. The second modification is the price of cane. The prices of cane may be assumed for the present purpose to be five annas, 5½ annas and six annas. These were figures which we ourselves gave to him for working out the cost, and when my friend, Mr. Bajpai's Bill is passed, I cannot see how in any Province he can get very much less than any of these figures. Six annas, I believe, is what the Government are contemplating in this respect. Molasses is almost unsaleable now. Therefore, he has wiped out the amount of profit that the Tariff Board suggested could be made out of molasses. All the other data may be kept as before, although minor changes in some of these will be desirable if an exact figure to suit present conditions is required. In the following table are shown the Tariff Board's original figures for the initial and final stages of protection side by side with revised figures calculated on the lines explained above. He has, of course, brought down the price of cane from Rs. 5-8-10 which the Tariff Board accepted to 3-7-6 and in the case of cane at five annas; 3-12-1 in the case of that at 5½ annas and 4-2-8 in the case of cane at six annas. I am only giving the net working figure. The fair selling price ex-factory in the case of the five annas cane is 6-15-10, 7-4-5 in the second case and 7-11-0 in the third case. Now, if we add 1-5-0 which my Honourable friend, the Finance Member, wants to add, then the figure in the last class of cases would be 8-4-10 fair selling price ex-factory.

**The Honourable Sir George Schuster:** What is my Honourable friend adding? These are figures per maund. He must add 0-15-7, not 1-5-0. It comes to 7-15-5.

(Interruption by Mr. G. Morgan.)

**Diwan Bahadur A Ramaswami Mudaliar:** I am just coming to the European Group. I wish they had remembered the days when their jute merchants made 300, 400 and 500 per cent profit, without a thought as to how they should give the result of that benefit to the cultivators of jute. I wish they remember the days when, during the war, irrespective of the people who were fighting on the western front, they went on making large profits on their industries. It does not lie in their mouth to turn round and say that these people are making 40, 50 or 60 per cent profit. If your hands are clean, then you may legitimately ask other hands to be clean. Then, it will be time enough for you to say that nobody can make more profit than 10 or 20 per cent.

**Mr. G. Morgan:** I wish my friend had heard what I said. I did not say anything of the kind that he attributes to me. What I said was that 15 annas seven pies was two annas more than the profit which is shown in the figures which my friend was reading out. That is all I said. I did not say anything to justify the terrible accusations that my friend is making. That is all I said. I must ask him to whitewash me from these accusations.

**Diwan Bahadur A. Ramaswami Mudalliar:** Sir, my Honourable friend sits in such a questionable quarter that one does not know whether a friendly or hostile criticism comes from him, and especially when my friend, Sir Darcy Lindsay, just a little while ago spoke of the large profits of our sugar factories, I thought he, as a humble follower of his, was following the same lines. I apologise to my friend and readily accept his correction. I am very thankful in any case that this has given me the time to make up the additions required in the case of the six annas cane with which we are primarily concerned. On 15 annas and seven pies, the fair selling price at the factory is Rs. 8-10-7. My Honourable friend, the Finance Member, said that the fair selling price today at the factory was Rs. 8-2-6.

**The Honourable Sir George Schuster:** No. That was the average for last year. I said today's price averaged Rs. 8-8-3.

**Diwan Bahadur A. Ramaswami Mudalliar:** The average for last year was Rs. 8-2-8. Now, my friend says the average price for this year is Rs. 8-8-3. I am not quite certain how he has been able to get the average during so short a period.

**The Honourable Sir George Schuster:** I said that on the basis of today's prices, the average price for Indian sugar—taking fifty per cent for the first and fifty per cent for the second—works out to a mean price of Rs. 8-8-3.

**Diwan Bahadur A. Ramaswami Mudalliar:** Even so, taking the best statement of the case possible—and I take it that the Honourable the Finance Member has now made his best statement of the case . . . . .

**The Honourable Sir George Schuster:** No, no, I have got a lot more to say.

**Diwan Bahadur A. Ramaswami Mudalliar:** Even on that basis, there is a gap of two annas and four pies which has got to be made good. Sir, I am a little sceptical of these averages. We all have heard of the saying that the man who crossed the river on the basis of the average depth did not get out at the other side of the stream and in the Select Committee we had a very good example showing how misleading these average prices can be. I do not know how these averages can help my Honourable friend, but even on that basis, I have pointed out that there is a difference of at least two annas and six pies between the rate at which he says it sells and the price at which it must sell if this duty has to be paid. That, Sir, is our conclusion on the facts. I want to assure this House, and gentlemen who are willing to accept an assurance from a humble occupant of these Benches and not from the exalted individuals sitting on those comfortable seats on the Treasury Benches, . . . . .

**The Honourable Sir George Schuster:** The same is the case with the seats on the opposite Benches.

**Diwan Bahadur A. Ramaswami Mudaliar:** Anyway, we have not tried those Benches, we do not know how much more comfortable they are in those seats; we know that these seats of ours are uncomfortable in these hot days. We came to the conclusion that one rupee was a proper duty—and that not in a fit of vexation against the Government for their proposals, not because we wanted to suggest something which the Government did not suggest, or because we wanted to swallow figures from Members who were producers of sugar-cane, but because we tried to do our best in this subject and to work out these figures as best as we could.

Sir, I quite agree with my Honourable friend, Mr. Mitra, that it was a handicap to us and not a help that on the Select Committee there were sugar-cane manufacturers who were personally interested in this matter, and I would like to echo the sentiment he expressed that where gentlemen are personally interested in these matters, it would be very much better if they did not get on to the Select Committee and only tried to appear as witnesses before the Select Committee. (*The Honourable Sir George Schuster:* "Hear, hear.") In this case it is perfectly certain that they would have improved their case and probably would have had a fairer hearing in the Select Committee if they appeared as witnesses instead of trotting out their own personal experience concerning their own factories. (Hear, hear.) Then, my Honourable friend said that we must have 1,47 lakhs of rupees of revenue out of this, and I ventured to suggest in the Select Committee, and I am glad my friend, Mr. Neogy, has pointed out that when my Honourable friend comes forward and says that out of a particular duty, out of a particular tax, he wants to get a particular amount, he is not entitled to say, "let me have the same rate of duty or tax, whatever the amount may be". The real crux of the problem is, whether you are going to get it at that rate or not. The real problem is, whether he shall have the amount that he wants or not. The rate is a minor question and this House must satisfy itself that he will get the Rs. 1,47 lakhs—and I propose to satisfy this side of the House if it will accept the assurance from a humble Non-Official Member that he will have the Rs. 1,47 lakhs, notwithstanding the fact that the duty is reduced from Rs. 1-5-0 to one rupee. Now, it is a very simple proposition. At the present time, the Honourable Member has calculated that 550,000 tons of sugar is produced in this country. During the last year, about 350,000 tons of sugar has been imported from Java. Those are at any rate two incontestable facts. Therefore, the total quantity required in this country is somewhere about 900,000 tons. My own idea is that the total quantity of this kind of sugar consumed in the country is very nearly one million tons. Now, I put it as a proposition which is really beyond criticism or beyond objection that the country as a whole will consume that one million tons of sugar, whatever jugglery we play with customs duties or excise duties. If that is a fact, then I say that either the internal production will go up or the external import will go up, so that the amount—900,000 tons taking the lowest figure—is reached for purposes of consumption of sugar in this country. My Honourable friend says that he has put the imports at one hundred thousand tons, whereas, during last year, it was

[Diwan Bahadur A. Ramaswami Mudaliar.]

850,000 tons. For the sake of argument, let me accept that. It is obvious that the internal production of sugar must go up and it stands to reason within small margins that the internal production will be maintained at about 800,000 tons.

**The Honourable Sir George Schuster:** Sir, I think it will save a good deal of confusion if I tell my Honourable friend what the position is. I may say to a great extent I accept his figures when he reckoned that roughly speaking the consumption in India may be in the neighbourhood of a million tons. Out of that, about three hundred thousand represents *khandsari* sugar. Out of that *khandsari* sugar, we reckon that only about fifty thousand tons will be subject to the duty. That leaves 700,000 tons to be provided by sugar made in Indian factories and to be imported from Java. Now, the difficulty is to know how much of that 700,000 tons will be imported and how much will be made in this country. We, on our official estimates, have assumed that 105,000 tons will be imported and 595,000 tons will be made in this country. Then, one has to remember that according to the method of collecting the excise, which is retrospective, we shall get only  $11/12$  of the duty this year. That is a fact which I think Honourable Members opposite, who have been doing sums in arithmetic, have forgotten. With these data, I think my Honourable friend will be able to work out the consumption and find out the facts. He must also recollect that one pie out of one anna five pies is earmarked for contribution to the Provinces, so that the amount on which we calculate our duty is only one anna and four pies. Then, as regards the amount that we expect from the import duty, that will vary directly with the amount of the increase in internal production and my Honourable friends have said that I have underestimated the amount. Well, the only thing I can tell them is that for the month of March the actual import duty receipts on sugar were under fifteen lakhs. We had not anticipated a drop of the monthly figure to anything like that sum at this time. We thought we were going on to get our import duties pretty regularly for the next six months and that the real drop would begin in October. Sir, these are the facts. I think it will cut short my Honourable friend's time if I tell him that I agree with his figures.

**Diwan Bahadur A. Ramaswami Mudaliar:** The only difference between myself and my Honourable friend is that my basic figure of one million tons excludes *khandsari* sugar.

**The Honourable Sir George Schuster:** Then, if I may say so, it is an absurd figure.

**Diwan Bahadur A. Ramaswami Mudaliar:** My Honourable friend suggested that he was calculating on 550,000 tons of sugar, he did not take into account *khandsari* sugar. He calculated one crore and forty seven lakhs on the basis of that 550,000 tons. Whether he calculated later on  $11/12$  of the production or the full year's production I am not aware, but taking it that he adopted the full year's production, if my Honourable friend took 550,000 tons for the next year and if I add the figure of 350,000 tons which came in during the year, then the total of these two years comes to 900,000 tons.

**The Honourable Sir George Schuster:** We have never had an import of 350 thousand tons in addition to the local home production of 500 thousand tons of factory made sugar.

**Diwan Bahadur A. Ramaswami Mudaliar:** Sir, my Honourable friend has chosen to use very strong language. As I said, our figures can always be characterised as absurd. But I cannot return the compliment. I can only give facts and leave the adjectives to be supplied by my Honourable friend. Last year, the total amount of production from factories was somewhere about 586 thousand tons. I am prepared to put it even at 550 thousand tons. These are facts. The existence of these figures may give the absurd result, but I am not responsible for it. In 1933-34, the total quantity produced in factories is about 550 thousand tons and the total quantity imported till the end of March was 350 thousand tons.

**Mr. G. S. Hardy:** It was not 350 thousand tons.

**Diwan Bahadur A. Ramaswami Mudaliar:** I thought I had a statement from the Sugar Technologist saying that, up to the 25th March last year, the total quantity produced in March was 329 thousand tons. I may be wrong again. If you add these two figures, you get 880 thousand tons. And, as I said, the total quantity of sugar consumed from factories and from imported sugar is about 900 thousand tons. I am sorry that when I said that I was told that I indulged in an absurdity. I am conscious of my own position and I do not want to dwell on it further. This amount of sugar must continue to be consumed in this country. If imports go down, then correspondingly the indigenous production must go up. If only 100 thousand tons is to be imported, then the indigenous production goes up to 750 or 800 thousand tons. Conversely, if the indigenous production goes up only to 600 thousand tons, there must be an import of 300 thousand tons. Therefore, I suggest that on either basis there has been an under-estimate on both sides. In any case, at the rate of one rupee, the Honourable Member is certain to have the amount of excise duty that he wants.

Then, Sir, there is another reason. If it is possible to import about 330 thousand tons of Java sugar at this time, when there was no excise duty, it stands to reason that there will be larger imports when the indigenous industry is further handicapped by an excise duty. But, Sir, one need not indulge in prophesies. In 12 months' time, we will know where we stand, and I undertake to write to my Honourable friend, the Finance Member, wherever he may be, the result of these proposals whether our estimates are right or his estimates are right. It is for that purpose that I want it to be on record that we, on this side, say that either on one head or the other the Honourable the Finance Member has made an under-estimate and he is certain to get the amount of duty that he has asked for. Sir, I do not want to prolong the debate. I can only say that with the best of intentions and with all the desire to help the Government and with the full facts of the industry before us, we have come to the conclusion—whether the Government accept it or not, whether the majority of the House in this case accepts it or not, whether the amendment is carried or rejected—that one rupee is a fair duty on the industry and it is a duty which will produce to the Government the revenue which they desire.

**Mr. B. Das:** Sir, I am for the excise duty at the level of one rupee. Sir, you were not in the House yesterday afternoon when I raised the point that the Select Committee's Report had been presented on the floor of the House without appending the necessary statistics that were supplied to the Select Committee. This afternoon, Mr. Aggarwal, and, just now, Diwan Bahadur Ramaswami Mudaliar read out statements which, although the Finance Member promised us last evening, have not been circulated. Therefore, I request you to give a further ruling that in future the Assembly Department should not accept any Report of the Select Committee unless there was a paragraph in it to the following effect: "We have appended all the statistics and papers that were submitted to us in the Select Committee".

Sir, when I support the duty of one rupee, I do so purely on financial grounds. Since the 28th February last, I have been under a suspicion and under a cloud from my friends both here on the floor of the House and also from those who are my colleagues in the Federation of Indian Chambers of Commerce and other Merchants Chambers. I have maintained that there should be excise duty and my friends have said that I was going to hit the sugar factories and it will work adversely. From the facts and statistics that have been so often quoted, I find that one rupee is just sufficient and adequate. My Honourable friend, the Finance Member, queried my Leader, Mr. Neogy, and said that he would like to get as much money as he can. My support to him from the 28th February was due to the fact that I would like to see his Budget balanced. I do not want to give him a penny more than he needs actually for the purpose of balancing his Budget. And why should he fight with us? He is going to get a crore and a half, and I can take a bet with him that he will get something more. He may not be here, but his successor will get that amount. I am ready to take any bet, and I think most of us on this side are willing to take the bet that with one rupee duty on factory made sugar and ten annas duty on the *khandsari* sugar, Government will get much more than they expect. If the Honourable the Finance Member wants to have a fight, let him fight. Let him take the vote, but history will prove, as my friend, Mr. Mudaliar, has pointed out, that we are in the right and the Honourable the Finance Member and the Government of India are in the wrong.

**The Honourable Sir George Schuster:** Sir, a great deal of this ground has been covered very many times and I am unwilling myself to weary the House by going over arguments which have been very frequently repeated. On the other hand, I do not wish to lay myself open to the charge of having taken an attitude of not even taking the trouble to deal with the figures that are put up on the other side. Let me deal, first of all, with the question whether we are going to get more revenue than we need from this duty. My Honourable friends opposite have been indulging in various calculations. I regret that I cannot follow their calculations, nor can I check the figures which my Honourable friend, Mr. Mudaliar, just gave, because I do not know from what sources they were taken. I can only repeat—and these figures can, therefore, be criticised, because I put them very clearly and simply—I can only repeat that we are reckoning on a consumption of about one million tons of sugar imported

and locally made,—including both factory made and *khandasari* sugar—next year and that it is on the basis of that assumption that we have worked out our estimates of revenue. Having taken that assumption, it is merely a question of deciding how much you will allow for imported sugar and how much you will allow for home made sugar. I can tell the House that our original forecast supplied by the Central Board of Revenue worked out to the conclusion that we could only rely on an import of 50,000 tons of sugar next year. We did not accept that conclusion and we have put it up to about 105,000 tons, because we thought that the readjustment would not take place so quickly. On the other hand, in the whole of the history of this development of sugar in India, it has been a remarkable fact that the local development has consistently exceeded even the wildest estimates. Therefore, I must say that I do not feel entirely secure about getting even the revenue for which we have estimated our imported sugar next year, and the figures that I have quoted for the March returns are certainly somewhat disquieting. But, Sir, that is not the only question. It is not merely a question of whether we are going to get a little more revenue under this particular head than we have estimated. I am quite prepared to face the possibility that my Honourable friend will be able to write to me next year and tell me that he was right and I was wrong. That is, of course, a definite possibility, but I have to view the position as a whole and I say again, with the greatest emphasis that I can command, that we do need all the revenue that we can get, and that, if we can get a bit more from sugar than I have estimated, that will be a very fortunate event, an event which will not put us in possession of more funds than we require, but one which will just give that security which the position needs. I shall have to speak more fully on this subject when we come to discuss the Match Excise Bill. But I must absolutely refuse to accept the very curious doctrine which has been urged from the opposite Benches that if I come to the House and say that I am proposing a certain increase of duty on a particular article, and I am estimating that I shall get, say, 1,47 lakhs from that, then the House is entitled to say to me if they can prove that I can get, say, 1,67 lakhs instead of 1,47 lakhs that then I must make a corresponding reduction in my proposals as regards the duty. If we accept that principle, I should be conceding the right of the House to propose variations on the duties on every single item in the Customs schedule and the result would be that I should be forced to reduce the rates of duty on those items where there is a chance of getting more than my estimates, whereas nobody on the opposite side would concede to me the right to increase the rates of duty on those where I was likely to go wrong. I do not think that any one on serious consideration of the responsibilities of a Finance Member would expect me to accept a proposition of that kind.

The next most important issue is, as to whether the industry can stand this rate of duty. There my Honourable friend, Mr. Mudaliar, has given substance to the minute which he signed and his explanatory note by referring to the figures which were put before the Select Committee. I want again to emphasise that these figures which my Honourable friend quoted were figures supplied in answer to a request made by members of the Select Committee that we should put before them estimates of the



[Sir George Schuster.]

fair selling price of sugar calculated in present conditions on the basis on which the Tariff Board made its calculations. We complied literally with that request and these figures are the result; but we do not for a moment admit that those figures so calculated represent the actual cost of production. We made it quite clear in the Select Committee that we, from our own information, thought that the general average cost of production was considerably less than the figure thus calculated. In fact, as I have already pointed out, the actual cost, apart from the cost of purchase of cane, works out in these figures at Rs. 2-11-0 per maund and we put forward the view that the actual realised cost in well-established factories was no more than Rs. 1-8-0 to Rs. 2-0-0 a maund. We took our stand on the figure of Rs. 2-0-0, and we believe that that is a figure which is generally accepted. Now, Sir, even however if I take these figures of the fair cost of production calculated on the Tariff Board basis, it is possible for the factories on the present price of sugar—and I again take the figure which I have already given—on the basis of 50 per cent first and 50 per cent second, it is quite possible for the factories to pay 5½ annas for cane and to pay a ten per cent dividend and have about three per cent on their capital over and above that. It is possible for them to pay six annas for cane and to earn an 8½ per cent dividend. I think if those figures are correct, nobody could dispute the fact that factories can fairly be asked to pay an excise duty on this level. The question of what price they will actually have to pay for cane is one into which we cannot go now; but the question will come up in connection with the Bill to be moved by my colleague, Mr. Bajpai, after this Bill is through. Now, I have noticed with some satisfaction that the factory owners wish to calculate their cost on the basis of paying six annas for their cane, but I do not think there is any one who can get up in this House and say that on an average the factories this year paid anything like six annas to their cane. If they can even establish that they paid, that all the factories have paid an average of five annas for their cane, I think it would be a satisfactory result, far more satisfactory than one has reason to expect according to certain recent information.

Now, Sir, I want to make it clear that in making these estimates of what the industry can stand, one is working on two uncertain factors, the factor of the price of the cane and the factor of the price that can be realised from sugar. If the price for cane is to be kept up at 5½ annas, if the average price of sugar is only Rs. 7-12-0, then I would admit that the factories or some of them at least will have a hard task, they will have to increase their efficiency very much, if they wish to pay a ten per cent dividend, but they will not be driven out of existence. I absolutely refuse to admit that. I think, Sir, that on the figures, on whatever basis you look at them, you are bound to reach the conclusion that the industry will be left with a fair chance of success after paying a reasonable price for cane. Moreover, what I want to remind the House of is this—that, when the Tariff Board reported, the conditions were entirely different from what they are today. The industries might perhaps have looked forward to yield ten per cent on their capital when prices were generally high. But today we are living in times of extreme depression. There is practically

no industry in the world which can expect to earn a ten per cent return on its capital today. If, having started two or three years ago, any industry now can pay five per cent on its capital, it is doing very well indeed. Now, Sir, I do not wish to speak as one having special authority who pays no consideration to what is said on the other side. My Honourable friend opposite is quite entitled to his opinion; his opinion on many of these matters is just as valuable as mine. The only quarter of the field in which I would query that is when he expresses opinions as to what my financial needs are, because, when he goes into that field, my Honourable friend cannot possibly be in possession of a full knowledge of all the facts, and it is in the light of a full knowledge of all the facts that I have made my statements in this connection.

Now, Sir, there is only one thing which I would like to say in conclusion. I think all of us, who have studied this question and studied the position of the sugar industry in India, would be prepared to admit that the imposition of any excise duty at this stage will give what I may describe as a certain jolt to the industry. Undoubtedly some of the factories will have to set about adjusting themselves to new conditions; but the point which has always impressed itself on my mind in the whole position is this, that if we had done nothing, if we had allowed the present position to continue unaltered, they might have had another few months of greater prosperity, but in the end the jolt which would have come to the industry would have been far worse. There is no doubt that the industry was moving too rapidly in the way of expansion of production and that the time had come, as I have said at an earlier stage in these discussions, when in everybody's interests it was desirable to call a halt. Naturally the imposition of this excise duty will diminish the attraction of putting up new factories; and I am not surprised that one Honourable Member gave us one example where a new factory had been planned and the order had not been placed. But the fact remains that ten new factories have been ordered since the 1st January and four new factories since the actual excise proposals were announced; and I think I am correct in stating that since the 1st January everyone concerned with the sugar industry has had a pretty good idea that something of this kind was coming. That shows that we are not killing off progress, but, on the other hand, I think it is highly necessary that just at the present stage progress should be slowed up.

To sum up, we still believe what we believed when we first proposed this measure. We believe that the industry can fairly bear this burden, that it is a good thing for it that it should have to make the adjustment which will be necessary, and we feel that it is a fair measure of taxation imposed at a time when the country badly needs the revenue.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (2) (ii) of clause 3 of the Bill, after the words 'one rupee' the words 'and five annas' be inserted."

The Assembly divided :

AYES—49.

Abdul Aziz, Khan Bahadur Mian.  
 Ahmad Nawaz Khan, Major Nawab.  
 Allah Baksh Khan Tiwana, Khan  
 Bahadur Malik.  
 Anklesaria, Mr. N. N.  
 Bajpai, Mr. G. S.  
 Bhone, The Honourable Sir Joseph.  
 Brij Kishore, Rai Bahadur Lala.  
 Chatarji, Mr. J. M.  
 Clow, Mr. A. G.  
 Cox, Mr. A. R.  
 Dalal, Dr. R. D.  
 Darwin, Mr. J. H.  
 DeSouza, Dr. F. X.  
 Fazal Haq Piracha, Khan Sahib  
 Shaikh.

Ghuznavi, Mr. A. H.  
 Gidney, Lieut.-Colonel Sir Henry.  
 Graham, Sir Lancelot.  
 Grantham, Mr. S. G.  
 Haig, The Honourable Sir Harry.  
 Hardy, Mr. G. S.  
 Hezlett, Mr. J.  
 Hudson, Sir Leslie.  
 Ibrahim Ali Khan, Lieut. Nawab  
 Muhammad.

Jawahar Singh, Sardar Bahadur  
 Sardar Sir

Lindsay, Sir Darcy.  
 Macmillan, Mr. A. M.  
 Metcalfe, Mr. H. A. F.  
 Miller, Mr., E. S.  
 Mitchell, Mr. K. G.  
 Mitter, The Honourable Sir  
 Brojendra.  
 Mujumdar, Sardar G. N.  
 Mukharji, Mr. D. N.  
 Mukherjee, Rai Bahadur S. C.  
 Nihal Singh, Sardar.  
 Noyce, The Honourable Sir Frank.  
 Pandit, Rao Bahadur S. R.  
 Rafiuddin Ahmad, Khan Bahadur  
 Maulvi.  
 Rajah, Rao Bahadur M. C.  
 Ramakrishna, Mr. V.  
 Rau, Mr. P. R.  
 Russell, Lieut.-Colonel A. J. H.  
 Sarma, Mr. G. K. S.  
 Sarma, Mr. R. S.  
 Schuster, The Honourable Sir George.  
 Sher Muhammad Khan Gakhar,  
 Captain.  
 Singh, Mr. Pradyumna Prashad.  
 Sloan, Mr. T.  
 Talib Mehdi Khan, Nawab Major  
 Malik.  
 Wajihuddin, Khan Bahadur Haji.

NOES—21

Abdoola Haroon, Seth Haji.  
 Aggarwal, Mr. Jagan Nath.  
 Azhar Ali, Mr. Muhammad.  
 Bagla, Lala Rameshwar Prasad.  
 Das, Mr. B.  
 Gunjal, Mr. N. R.  
 Hari Raj Swarup, Lala.  
 Jadhav, Mr. B. V.  
 Jog, Mr. S. G.  
 Liladhar Chaudhury, Seth.  
 Maswood Ahmad, Mr. M.

Mudaliar, Diwan Bahadur A.  
 Ramaswami.  
 Murtuza Saheb Bahadur, Maulvi  
 Syyid.  
 Neogy, Mr. K. C.  
 Parma Nand, Bhai.  
 Patil, Rao Bahadur B. L.  
 Sen, Pandit Satyendra Nath.  
 Shefee Daoodi, Maulvi Muhammad.  
 Singh, Mr. Gaya Prasad.  
 Thampan, Mr. K. P.  
 Uppi Saheb Bahadur Mr.

The motion was adopted.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair understands it is the general desire to sit a little longer and finish the Bill.

**Several Honourable Members:** Yes, Sir!

**Dr. Ziauddin Ahmad:** We can sit till 8 o'clock and finish the Bill.

**An Honourable Member:** No speeches on third reading.

**The Honourable Sir George Schuster:** On a point of personal explanation, Sir. I had an opportunity in the interval to look up these figures about sugar consumption, and I think perhaps I can clear up the confusion in the difference between my friend and myself. As far as I can make out, he was quoting the estimated sugar production for 1934-35, that

is next year, 596,000 tons, and adding that to the actual Indian imports for 1932-33, which was 369,000 tons. I think that is how my friend arrived at his figure. It explains why I could not agree with him.

**Mr. Uppi Saheb Bahadur** (West Coast and Nilgiris: Muhammadan): Sir, I beg to move:

“That in sub-clause (2) (ii) of clause 3 of the Bill, after the word ‘palmyra’ the words ‘and cocoanut’ be inserted.”

Sir, the Select Committee has exempted the sugar produced from *palmyra* for obvious reasons, and the chief reason for exempting *palmyra* sugar is that it is a nascent industry in this country. It is not yet sufficiently developed, and it is only being developed on a commercial scale. Sir, for the same reason I request that the word “cocoanut” should also be added. Nobody has yet attempted to manufacture sugar from cocoanut tree juice, but some people are now contemplating to try the experiment. And, Sir, if they are threatened with an excise duty, nobody will venture to proceed with the experiment. You know that in recent years the price of cocoanut has gone down to a very low level, and so we have to find other avenues to make use of the cocoanut tree. Cocoanut tree stands on a different footing from the *palmyra* tree, because for the cocoanut tree we have to pay assessment, while for *palmyra* tree we have not to pay any assessment or Government tax. It is with a view to helping the experiment that is proposed to be undertaken by a few enthusiasts and to utilising the large number of cocoanut trees that exist in Malabar that I request the Government to insert the word “cocoanut” also. For the present it is not going to harm the Government in any way, because Government have got the power to impose a duty at any time when they find the industry paying. If the experiment of making sugar from cocoanut succeeds on a commercial scale, then Government can certainly think of bringing this industry too within the purview of this measure. But if this duty is imposed just at this stage when the industry is still in an embryo stage, nobody would dare to start this enterprise, because the moment we find that the industry is started, there is the fear of our coming under the excise duty, and, therefore, the attempt is likely to be given up and the very idea of attempting to develop the industry will not be able to make any headway.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:!

“That in sub-clause (2) (ii) of clause 3 of the Bill, after the word ‘palmyra’ the words ‘and cocoanut’ be inserted.”

**Mr. K. P. Thampau**: Sir, I have great pleasure in supporting the amendment just moved by my friend, Mr. Uppi Saheb. I am glad the Select Committee decided to exclude the sugar made from *palmyra jaggery*. I know in South India, particularly in South Malabar, there is a large industry engaged in the manufacture of *jaggery* out of *palmyra toddy*. This industry exists in certain other districts also in South India such as Tinnevely, and it gives employment to thousands and thousands of people. From Palghat alone I know that three wagon loads of *jaggery* are being sent every day to Messrs Parry and Company's refinery at

[Mr. K. P. Thampan.]

Nellikuppam. If *palmyra* sugar can be exempted, then there is a stronger case for exempting cocoanut sugar, because the percentage of sugar obtained from cocoanut *jaggery* is much less than that obtained from *palmyra jaggery*. My friend, Mr. Uppi Saheb, said that at present sugar was not made out of cocoanut *jaggery*. I am not quite sure about that. In North Malabar, particularly, *jaggery* is made out of the toddy extracted from the cocoanut palms, and I am not quite sure if that also is not sent to Nellikuppam and other places for refining purposes. At any rate it is a growing cottage industry in Calicut, Kottayam and other taluqs of North Malabar and ought to be fostered. As I said, if the *palmyra jaggery* is exempted from the scope of this Bill, cocoanut *jaggery* should also be exempted. Under the circumstances, as pointed out by my friend, Mr. Uppi, the duty would give a set back to the improvement of this industry, and, I, therefore, support the amendment.

**Mr. G. S. Hardy:** In accepting, in the Select Committee, the exclusion of *palmyra* sugar from the general rate of excise duty and providing for an enquiry before a rate of duty was fixed, we were dealing with an article which had already been the subject of comment, not only in the Tariff Board's Report, but also in a much earlier Report, the Report of the Sugar Committee. There is no reference, so far as I know, in either of those documents to cocoanut sugar, and I understand that there is at present no cocoanut sugar produced in factories anywhere. Should production on a commercial scale be begun, it would always be open to producers to ask for relief, and Government have ample power, as has already been pointed out, under clause 10 of the Bill, to give such relief as they may consider necessary. But, Sir, I do not think that the House should agree to put cocoanut sugar on precisely the same footing as *palmyra* sugar with regard to which we have a certain amount of information. Sir, I must oppose this amendment on behalf of Government.

**Mr. Uppi Saheb Bahadur:** Supposing they experiment in the manufacture of such sugar, will you come down upon them with your excise duty?

**Mr. President** (The Honourable Sir Shanmukham Chetty): If it is made in a factory, yes.

**Mr. B. Das:** Will it not be a microscopic amount if the excise duty is levied?

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (2) (ii) of clause 3 of the Bill, after the word '*palmyra*' the words '*and cocoanut*' be inserted."

The motion was negatived.

**Bhai Parma Nand:** I beg to move:

"That to sub-clause (2) of clause 3 of the Bill, the following be added:

'(iv) The Pioneer Sindh Sugar Mills Company (Pretamabad, Sindh) for special reasons be exempted from the operation of this duty for three years'."

The position is this. This company has been started for the last 11 months, and the special reasons why this exemption is sought for are that in Sind there is no cultivation of sugar-cane, and this company has spent a great deal of money on bringing in thousands of maunds of cane from the Punjab. The company has engaged in the cultivation of sugar-cane in their own lands, and thus they set an example to the rest of the zamindars of Sind. Practically the whole proceeds of this year have gone to the cultivator of sugar-cane. Next year too they do not expect any profit. They could have invested their capital in starting factories in some other Provinces where they could easily get sugar-cane, but their object is to benefit the agriculturists in Sind proper and to introduce this new industry in that Province so as to help the agriculturists of that Province. Having this motive before them, I think they deserve encouragement. For these reasons, the company should be exempted from duty for three years, and if not, for two years at least. I move my amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved :

“That to sub-clause (2) of clause 3 of the Bill, the following be added :

‘(i) The Pioneer Sindh Sugar Mills Company (Pretamabad, Sindh) for special reasons be exempted from the operation of this duty for three years.’”

**The Honourable Sir George Schuster**: We have already considered this case on the strength of a direct representation that we have had, and we can find no case for giving a special concession to this particular company. I must, therefore, oppose my Honourable friend's amendment, because a concession of this kind would create a most dangerous precedent.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is :

“That to sub-clause (2) of clause 3 of the Bill, the following be added :

‘(iv) The Pioneer Sindh Sugar Mills Company (Pretamabad, Sindh) for special reasons be exempted from the operation of this duty for three years.’”

The motion was negatived.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The Chair thinks amendment No. 28\* of Mr. Maswood Ahmad is covered by clause 10.

**Mr. M. Maswood Ahmad**: They can exempt, but I do not think they can decrease the duty.

**The Honourable Sir George Schuster**: The Governor General in Council has power under clause 10 to reduce the duty.

**Mr. M. Maswood Ahmad**: Then I do not move it.

“That to clause 3 of the Bill, the following new sub-clause be added :

‘(3) The Governor General in Council may, by notification in the Gazette of India, decrease the rate of excise duty payable under this section, on any variety of sugar.’”

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment No. 29\* of Seth Haji Abdoola Haroon. A similar one has been negatived before, and, therefore, this is not in order.

**Rao Bahadur B. L. Patil**: I beg to move:

"That after clause 10 of the Bill, the following new clause be inserted, and the subsequent clause be re-numbered accordingly:

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

Before I say some few words on this amendment, I seek your permission to make certain alterations in that amendment as the drafting is a bit inaccurate. I want to substitute the word "factories" in the place of "every factory" and to change the word "Act" into "Acts", so that the amendment may read as follows:

"That after clause 10 of the Bill, the following new clause be inserted, and the subsequent clause be re-numbered accordingly:

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

**Mr. President** (The Honourable Sir Shanmukham Chetty): Yes.

**Rao Bahadur B. L. Patil**: I need not elaborate any arguments on this amendment. I will simply categorically state my points. My first ground is that the cultivator is both the grower of cane and the manufacturer of sugar. My second ground is that in no case he is allowed to share a dividend of more than nine per cent under the various Co-operative Societies Acts and the bye-laws framed under those Acts. My third ground is as regards efficiency. It was argued in some quarter this afternoon that it would be giving a bonus for inefficiency either to reduce the duty or to exempt sugar produced in certain factories. But in the case of factories, registered under the Co-operative Societies Acts, there will be nothing of the kind. In the first place, the factories are very small. Their capacity is limited to 100 or 150 tons, and, therefore, in order to achieve the greatest efficiency they have set down a certain programme both for sowing the cane and for cutting the cane.

Another thing is that they are making their purchases on a collective basis. The whole factory purchases manure and other things that are required for the cultivation of cane. Also with regard to chemicals and other things which are required, they make purchases on some concessional basis. The fourth point is this. The factories registered under the Co-operative Societies Act do not pay interest on their capital invested to any private financier, but they always pay interest to co-operative financing banks. On these main grounds, I base my amendment. Then, let me consider what would be the effect if this amendment is adopted. In the whole of India, there are at the present moment not more than five factories. My information is that there are four factories in the Madras

"That after clause 3 of the Bill, the following new clause be inserted and the subsequent clauses be re-numbered accordingly:

"4. The rate of duty mentioned in the previous section shall be levied until such time as surcharge on sugar remains in force."

Presidency and there are two or three in the making. Similarly, my information with regard to Bombay is that there are some factories under contemplation on co-operative lines. Therefore, I submit that if at all there is any loss in revenue, the loss would be so negligible that the Finance Member would be good enough to exempt the Co-operative Societies at least for the sake of encouraging co-operative enterprise. With these words, I move my amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty). Amendment moved :

"That after clause 10 of the Bill, the following new clause be inserted, and the subsequent clause be re-numbered accordingly :

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

**Mr. T. N. Ramakrishna Reddi**: I have great pleasure in supporting this amendment. The peculiarity in these co-operative factories is that the interests of the agriculturists as well as the factory owners are the same. As a matter of fact, it is the agriculturists that are the owners of the factories themselves and so there is not the conflict of interest as we find in the other factories. Here the factory owners, being the agriculturists themselves, can regulate the time of cultivation of crops and they can also cut the crop when it is ripe and they can systematise the supply of cane to the factories, whereas the other factories have to depend upon the supply elsewhere, and ryots, for the purpose of getting some money urgently, cut the crop when it is not fully ripe. There are many other difficulties. It is to the interest of the sugar industry that factories on a co-operative basis should develop. Government should come to their help and develop and see that they are exempt. Further, there is the supervision of the Government agency, because they have to borrow money from the co-operative central banks and apex banks. Hence there is a check on the spending of the money. On these grounds, they deserve exemption from the excise duty.

**The Honourable Sir George Schuster**: I am afraid I must oppose this amendment. No case has been made out. We have had no applications from Provincial Governments, or otherwise, for a special privilege of this kind, and it would be contrary to all precedents for us to grant such a privilege.

**Rao Bahadur B. L. Patil**: Such concessions are given to Co-operative Societies, for instance they are exempted from payment of registration fees and they are exempted from stamp duty and they are also exempted from the payment of income-tax.

**The Honourable Sir George Schuster**: I am quite prepared to accept that they have received certain privileges, but there is no precedent to granting to a Co-operative Society a bounty on this scale. It would be quite impossible to contemplate it. I must oppose the amendment.



**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That after clause 10 of the Bill, the following new clause be inserted, and the subsequent clause be re-numbered accordingly:

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

The motion was negatived.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 3, as amended, stand part of the Bill."

The motion was adopted.

Clause 3, as amended, was added to the Bill.

Clauses 4 to 10, both inclusive, were added to the Bill

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 11 stand part of the Bill."

**Mr. G. Morgan**: Sir, I move:

"That sub-clause (4) of clause 11 of the Bill be omitted."

I have not been able to find out how a clause of this description comes into this Bill. We would like to see all these powers kept definitely in the hands of the Governor General-in-Council. Perhaps the Honourable Member may be able to explain why it is necessary to have a clause of this description, but, so far as I can see, it is unnecessary. Sir, I move.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That sub-clause (4) of clause 11 of the Bill be omitted."

**Mr. B. Das**: Sir, this is not an Ordinance Bill. Why should not this power remain in the hands of the Central Government? I oppose the motion of my friend, Mr. Morgan.

**Dr. Ziauddin Ahmad**: May I know what Local Government means in this connection? Does it mean the Governor-in-Council or does it mean the Ministers? I would like to know what it means before I speak.

**Mr. G. S. Hardy**: I think the answer to my Honourable friend, Dr. Ziauddin, depends upon the Province. In some cases, it will be the Governor-in-Council. In others, I imagine it will be the Governor acting with his Ministers. I think I am correct in saying that it depends on the particular Department in which the matter is dealt with.

The object of this part of clause 11 is this, Sir. We are anxious in making rules under this Act as far as possible to meet the convenience of everybody, and, in collecting this tax, to collect it with as little inconvenience as possible. Conditions differ in different Provinces and we think that it will be to the advantage of everybody concerned if in respect of particular matters of detail which may arise from time to time we give the Local Governments, who are responsible for collecting the duty, power to alter the rules to meet the convenience of those who may be entrusted with the collection of the excise duty. We have no intention of delegating to the Local Governments our powers in general; it is merely in a particular case that it may be desirable, in order to make for the general convenience. There is nothing in the least sinister behind this proposal, and I hope my Honourable friend, Mr. Morgan, will see his way to withdraw his motion.

**Mr. G. Morgan:** I think the Honourable Member has suggested a thing which I did not put into my remarks at all. I did not suggest that there was anything sinister behind it at all. The clause reads:

“The Governor General in Council may delegate all or any of his powers under this section to a Local Government.”

My Honourable friend only proposes that it might be useful sometimes, when rules are made, that some of those rules may be made by a Local Government, but this is a very definite provision that:

“The Governor General in Council may delegate all or any of his powers under this section to a Local Government.”

There was no suggestion from me that a sinister motive was behind the Government's proposal, and I do not know why, whenever any of us makes any objection, we should be construed as suggesting a sinister motive. There was nothing of the kind in my mind.

**Mr. G. S. Hardy:** I am very glad to receive my Honourable friend's assurance. I was under the impression that he was afraid that we might hand over powers which vest in this House to Local Governments who are not responsible to this House. I am sorry I should have misinterpreted him in that way.

**Dr. Ziauddin Ahmad:** Sir, I understand that by “Local Government” is meant “the Minister responsible for this Department”. If this thing is to be decided by the Minister of Industries, who in most cases will himself have a very great financial interest in this particular industry, then I think it would be unfair to hand this over to a particular individual in the Province who can be removed at any time by the vote of the Council. If this thing is to be left to the Governor-in-Council (including Ministers), then it may have some meaning, but to hand it over to the Ministers of Industries in a particular Province, who himself may be an interested man, is, I am afraid, tantamount to this that, whatever we have done here will be undone in the Provinces, and, therefore, I beg to support this amendment. I think it is very important that we should know clearly what “the Local Government” clearly means. If it means “the Governor with his Council”, then probably there may be no difficulty in transferring the power, but if it really means one man, the Minister, who himself may have a very great personal interest in the financial

[Dr. Ziauddin Ahmad.]

concern, and who himself may be owning several mills as some of the Ministers do own these mills, and when they themselves have guided certain Resolutions in the Council and gave an ultimatum to the Members of the Assembly that they will have no chance of being elected if they voted in favour of this Bill, then I think Government may well consider whether it is wise for them to hand it over to these persons who are definitely opposed to the whole of this Bill. Therefore, if "the Local Government" means "the Governor-in-Council", then I have no objection, but if it means the relevant Minister, then I think it is really incurring a great danger. Sir, I oppose this definition of "Local Government" and support the motion of my friend, Mr. Morgan.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That sub-clause (4) of clause 11 of the Bill be omitted."

The motion was negatived.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 11 stand part of the Bill."

The motion was adopted.

Clause 11 was added to the Bill.

**Mr. President** (The Honourable Sir Shanmukham Chetty): There is another amendment for the insertion of a new clause standing in the name of Mr. Morgan and Mr. Ramsay Scott. Does Mr. Morgan want to move it?

**Mr. G. Morgan:** Yes, Sir. I beg to move:

"That after clause 2 of the Bill, the following new clause be inserted, and the subsequent clauses be re-numbered accordingly:

'3. Notwithstanding anything contained in sub-section (a) of section 2, the Local Government may, by notification in the local official Gazette, declare any premises wherein, or within the precincts of which, ten or more workers are working or were working on any day of the preceding twelve months, and in any part of which any manufacturing process connected with the production of sugar is being carried on or is ordinarily carried on with the aid of power, to be a factory for all or any of the purposes of this Act.'

Sir, I do not want to make a long speech on this matter. The object of this amendment is merely to prevent evasion. Honourable Members and also those on the Treasury Benches are aware that by reducing one man or two men, a factory would be able to evade the provisions of this Bill. This motion does not make it a statutory obligation, but it is left to the Local Government, whenever they find that evasion is going on, by means of the workers being reduced by one or two men, to make a declaration. At present there is no provision in the Bill by which they can be caught. They can go completely out of the Bill. If this clause is inserted, then the Local Government, if it finds evasion going on, can declare the premises to be a factory under the Act. Sir, I move,

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That after clause 2 of the Bill, the following new clause be inserted, and the subsequent clauses be re-numbered accordingly :

3. Notwithstanding anything contained in sub-section (a) of section 2, the Local Government may, by notification in the local official Gazette, declare any premises wherein, or within the precincts of which, ten or more workers are working or were working on any day of the preceding twelve months, and in any part of which any manufacturing process connected with the production of sugar is being carried on or is ordinarily carried on with the aid of power, to be a factory for all or any of the purposes of this Act."

**The Honourable Sir George Schuster**: Sir, if this proposal had been put forward in the Select Committee, I think we might have been quite prepared to consider it; but, at this late stage, I can hardly do anything but oppose it, because the acceptance of this amendment might be held to be inconsistent with a great deal that I myself said as to the range which we propose to give to this measure. I think that there is some substance in what my Honourable friend has said, and undoubtedly this question of evasion will have to be carefully watched. But we did go into this question very carefully in the Select Committee and we arrived at the conclusion that, as a start, we had better stick to the provision in the Factories Act as the test of what should be regarded as a factory. That gave us a good working rule and we thought it was best to adopt that as a start. Therefore, Sir, I must oppose this amendment, though I am ready to concede that the point at issue must be carefully watched in practice in the future.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That after clause 2 of the Bill, the following new clause be inserted, and the subsequent clauses be re-numbered accordingly :

3. Notwithstanding anything contained in sub-section (a) of section 2, the Local Government may, by notification in the local official Gazette, declare any premises wherein, or within the precincts of which, ten or more workers are working or were working on any day of the preceding twelve months, and in any part of which any manufacturing process connected with the production of sugar is being carried on or is ordinarily carried on with the aid of power, to be a factory for all or any of the purposes of this Act."

The motion was negatived.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 1 stand part of the Bill."

**Rao Bahadur B. L. Patil**: Sir, I beg to move:

"That to sub-clause (2) of clause 1 of the Bill, the following be added at the end: 'but excluding the Presidency of Madras and the Presidency of Bombay'."

Sir, I feel I am trying to do an impossible thing. However, Sir, I must place the full case before this House. I am convinced of, and I believe in, the justice of my case. Therefore, though I know that I am trying to do an impossible task, I want to move my amendment, and carry it, if possible.

[Rao Bahadur B. L. Patil.]

At the very outset, I want to make it clear that my friends from other Provinces need not be jealous about the two Provinces which I have included. Certainly I would have included Bengal, but I had no first-hand information about that Province. That is the reason why I have not included it. Even now, if the Honourable the President allows me, I am prepared to include Bengal.

**Mr. C. S. Ranga Iyer:** What about the United Provinces?

**Rao Bahadur B. L. Patil:** Sir, I do not want to take much time of the House, and I would simply categorically state the points on which I have relied in moving my amendment. I speak on two assumptions. The first assumption is that the higher duty proposed in this Bill will react on the cultivation of sugar-cane, and, consequently, also upon the provincial revenues. My second assumption is that factories of less than 200 tons capacity will not be in a position to save sufficient money even for keeping aside some amount for depreciation and other things. I do not plead for the sake of the sugar manufacturers at large. I plead mostly and chiefly for the cultivators. It has been pointed out on the floor of this House by several Honourable Members that when the Tariff Board recommended protection, they emphasised the fact that the industry could not be considered alone. It must be considered along with the advantage which protection could give also to the agriculturists. I do not want to dilate upon this point, because we have very little time at our disposal. I maintain that the distribution of benefits arising from the tariff must be divided equally between all the Provinces. I also maintain that the development of any industry must be equally distributed all over the country. It cannot for a moment be argued that the industry has developed so much in the United Provinces and Bihar, because the natural facilities there are greater than in Bombay, Madras and Bengal. I want to point out that the climate both of Madras and Bombay is highly suited to the cultivation of sugar-cane.

**Mr. C. S. Ranga Iyer:** It is due to lack of enterprise.

**Rao Bahadur B. L. Patil:** It is not due to lack of enterprise that we are lagging behind, but it is due to the attitude which the Government of India have adopted. They have diverted all their energies to the development of sugar-cane cultivation in the United Provinces and they call it the sub-tropical cane. The sugar-cane station of Coimbatore was mainly used for developing this industry in the United Provinces and Bihar. But they never paid any attention to the development of sugar-cane cultivation in the Provinces of Madras and Bombay. Sir, in the hope of developing our industry, the two Provincial Governments, of which I am speaking, invested crores of money in irrigation works. If I remember aright, the Government of Bombay invested ten crores of rupees in irrigation works. We know that in Madras there are no less than three big irrigation works and we also know that, when there is an over-production of rice, the cultivator can very well look to the cultivation of sugar-cane. Under these circumstances, if this Bill makes it impossible for the cultivators in those two Provinces to take to sugar-cane cultivation more and more, what would be the fate of the agriculturists? Then, Sir, with regard to Bombay and Madras, I wish to point out that we have not got as many railway facilities

as the United Provinces and Bihar have. In the United Provinces and Bihar, there is practically a net-work of railways and in every way they are in an advantageous position.

**Mr. C. S. Ranga Iyer:** Question.

**Rao Bahadur B. L. Patil:** Sir, I am definite about it. Then, Sir, in Bombay and Madras, the rates of water cess are higher than in any other place. In the United Provinces and Bihar, they grow their sugar-cane without irrigation. They grow their cane only by the water they get from rainfall. But in Madras and Bombay, we cannot grow sugar-cane without irrigation.

**Mr. C. S. Ranga Iyer:** Your soil is not good.

**Rao Bahadur B. L. Patil:** Our soil is better than the soil of the United Provinces and Bihar. I think my Honourable friend, Mr. Ranga Iyer, has forgotten his soil.

Then, Sir, I wanted to refer to certain figures, and I will quote them in half a minute. In Bombay, we have got at the present moment only eight or ten factories, and, out of these, two are in Native States. Of these, only one factory at Belapur is of 700 tons capacity, and all the rest are below 200 tons capacity. Almost all of them started working only very recently. I know that, with regard to Madras, the position is very much the same. For these reasons, I hope Government will take into consideration the pitiful situation of these two Provinces. I may point out that they would be at liberty to delete these words if and when they find that the factories in these Provinces are making huge profits and do not deserve any concession.

**Mr. President** (The Honourable Sir Shanmukham Chetty): Amendment moved:

“That to sub-clause (2) of clause 1 of the Bill, the following be added at the end :  
‘but excluding the Presidency of Madras and the Presidency of Bombay’.”

**Mr. T. N. Ramakrishna Reddi:** Sir, I wish to support this amendment in as few words as possible. The Madras Presidency is consuming about 100 thousand tons of sugar. Of this, 55 thousand tons are being imported by sea and the rest goes from Northern India, as very little sugar is being manufactured in the Madras Presidency at present. Further, on account of small and scattered holdings, it requires great effort in the Madras Presidency to start a sugar factory. Then, Sir, Madras and Bombay being port towns, it is very easy for Java to import the sugar, because it has not got to pay any land freight. Hence Madras and Bombay are exposed to the importation of Java sugar. I, therefore, submit that the Government should take every step to facilitate the internal production of sugar in the Madras Presidency. When my Honourable friend referred to the fact that the Coimbatore station exists for the sake of Northern India, for the production of cane suitable to Northern India, some Honourable Members laughed at it. I find from this book the following statement :

“Madras has not benefited from the Coimbatore Research station as the experiments conducted there have so far been directed to production of cane suitable to sub-tropical conditions.”

[Mr. T. N. Ramakrishna Reddi.]

So, Sir, they never cared to make experiments in cane to suit the tropical conditions obtaining in Madras Presidency.

**The Honourable Sir Frank Noyce** (Member for Industries and Labour): May I know what is the date of the publication of the book from which he is reading?

**Mr. T. N. Ramakrishna Reddi**: It was published in 1934, no month is given. So much so, that Madras is still having this old cane cultivation and the improved cane is not being cultivated to any considerable extent, and I, therefore, submit that Madras requires to be exempted from the operation of this Bill.

**The Honourable Sir George Schuster**: Sir, I find it very difficult to express adequately my astonishment that any Member of this Assembly should have moved an amendment of this kind. I do not see how India can exist in the future if proposals of this kind are to be put forward in the Central or in the future Federal Assembly of the country. Sir, on every possible ground, I oppose the amendment.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That to sub-clause (2) of clause 1 of the Bill, the following be added at the end: 'but excluding the Presidency of Madras and the Presidency of Bombay'."

The motion was negatived.

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 1 stand part of the Bill."

The motion was adopted.

Clause 1 was added to the Bill.

The Title and the Preamble were added to the Bill.

**The Honourable Sir George Schuster**: Sir, I move:

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

**Mr. President** (The Honourable Sir Shanmukham Chetty): Motion moved:

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

**Lala Hari Raj Swarup**: Sir, before this Bill is finally passed, I would request the Government to give two assurances to this House and to the sugar industry at large. The first assurance that we want is this that we shall be allowed to enjoy the remainder of the protection period without any threat of increase in the excise duty. I ask for this assurance on two grounds, the first is that so long as this threat is there, it is not possible for this industry to make adjustments or to reorganise itself in view of the duty now imposed on it. The second ground is that if this threat continues, then, towards the end of each financial year, there is always bound to be speculation in the price of sugar, and the sugar market will be upset every year causing serious miscalculations in the working of the factories.

The second assurance, Sir, that we want is that the recommendations of the Select Committee in connection with the grants for research on cane and on the establishment of a Sugar Research Institute and on the use of molasses will be seriously carried out. Why I press this point is this, that in the Select Committee on the Sugar (Protection) Bill, we appended a very strong recommendation in the following words :

"We considered very carefully the question of making statutory provision for an annual grant to the Imperial Council of Agricultural Research for sugar research work but, in view of the many difficulties involved in making a statutory provision of this nature, we recommend instead that the Government should guarantee to the Council annually of sufficient funds to the extent recommended by the Tariff Board, to enable the Council to carry out all schemes of research and development which have been and may be finally approved including the establishment of the proposed Sugar Research Institute."

Sir, two years have passed, and nothing has been done for the establishment of the Sugar Research Institute. The Honourable the Finance Member gave us a long list of work that has been done by the Government in this behalf; but, Sir, I am not satisfied by the work that has been done by the Government after the Protection Bill has been passed. Now that the Government are getting such a large amount of money out of the sugar industry, I must say that they will carry out the promises that they make on the floor of the House, because, Sir, if research in these directions is successful, it will enable the industry to bear the burden of the excise in a much better way.

**Mr. N. R. Gunjal** (Bombay Central Division: Non-Muhammadan Rural): Sir,\* I strongly oppose the third reading of the Sugar (Excise Duty) Bill. It is really a wonder that Government should have ignored the Select Committee's opinion. It is unbecoming to the Government that, taking advantage of the feebleness of the Opposition, they should have, in indecent haste, got passed the amendment imposing a duty of Rs. 1-5-0 on sugar. I cannot too strongly condemn this action of the Government. The factories in the country will be crushed under the burden of this heavy duty. It is a matter for regret that no non-official amendment could be passed. The measure is sure to cause displeasure against Government. I, therefore, oppose the Bill.

**Mr. S. G. Jog**: Sir, at this long and weary hour of the day, I must realise my responsibility of making a very short speech. I am generally in the habit of making short, and, at the same time, if the House would agree, sweet speeches.

The Bill before the House is one which relates to the excise duty on sugar and the House is fully aware that sweetness has got much to do with sugar and here we find that not only sweetness has got much to do with sugar, but that sweetness has got much to do with Sir George Schuster. Sir, although this is a sweet measure connected with a sweet article, I am sorry that I must make my speech a bit bitter one. Sir, what is the state of this sugar industry which was brought into existence only two or three years ago? It is a plant that came into existence only two or three years ago, and let us see the attitude of the Honourable the Finance Member now and then. These two or three years were not a sufficient time for the

\*Translation of the speech delivered in the vernacular.



[Mr. S. G. Jog.]

industry to grow and develop. My Honourable friend, the Finance Member, however, says that, during these two or three years, this industry has made enormous profits, but, as a businessman and as a man who knows many other businesses, may I appeal to him and may I ask him whether that is the proper way of examining a position and looking at this industry? May I ask whether a period of two or three years is sufficient time for trial of the industry? If you put any money or invest any money in business, I think you have to take the average of ten years. It is just possible that some of the people who embarked on this industry may have made some profits in the first year or in the second year, but what about the third year and what about the succeeding years that are yet to come? Sometimes you may gain and sometimes you make lose, and, after ten years, you have got to take the average of profit and loss. I submit it is too premature to say that this industry will go on making these huge profits, even if it is conceded that it has been making these huge profits as alleged by the Government. I must say that this industry has not been given sufficient time and sufficient trial for its growth. Let me appeal to my Honourable friend that there is such a thing as infanticide. If I may say so, and I am sorry to say so, the Honourable the Finance Member can be charged with infanticide of this infant industry which he has brought into existence and he now wants to throttle this infant and drive it out of existence. Probably, for revenue purposes, the Honourable the Finance Member might require more money. He might have done everything else by way of cutting down the expenses, but I do not think he is justified, if he wants money, to run after this infant industry which is still in the process of growth and development.

Sir, as I have said, I do not want to make a long speech. I belong to a Province where there is no sugar industry in existence at present, nor is there any chance of a development of the sugar industry there. So the only interest I have to guard is the interest of the consumer, and, in that capacity, I think I am in a position to take a more detached and disinterested view of the whole affair. Fortunately or unfortunately, I had no occasion to take any part in the Select Committee meetings, because all those people who have factories of their own wanted to get into the Select Committee and, as observed by my Honourable friend, Diwan Bahadur Mudaliar, these people would have been more useful and would have probably served their cause better by going as witnesses and allowing other people to go who have been able to take a more critical view and a more disinterested view of the whole affair. Sir, I must say that Government have brought forward this Bill in a hurry. After all, the Finance Member wanted some money and Government, instead of accepting the Select Committee Report as they ought to have done, have really upset even the little that it contained. We on this side of the House always look on the Reports of Select Committees with some respect and reverence, but in this measure we find that the Select Committee Report has been flouted and Government are having their own way. This will serve as an eye-opener to those who are very anxious to thrust themselves on the Select Committees. Sir, as I said, this sugar duty will probably serve as a memory, specially on the eve of the departure of the Finance Member. Every one of us, when we put a spoon of sugar and when we take a sip of tea either in the morning or in the afternoon, will be reminded of this sugar duty. Sir, according to our Hindu

ideas we are supposed to make an offering of sugar to God. There is a *mantra* which says :

*"Sharkara gud khadyani dadhi ksheer ghritanicha", etc.*

*"Sharkarâ"* means sugar. Sugar is a thing which we offer to God first. Probably God also had a great liking for sugar, but probably He will now have to make a discrimination and remember that sugar is a thing on which a duty has been levied. So, whenever we offer sugar to God, that will be the occasion for us to remember this excise duty. As I have said before, I think for various considerations that Government should not have brought forward this Bill, and I have no alternative but to oppose it.

**Dr. Ziauddin Ahmad:** Sir, there are two points which I wanted to develop at greater length, but, on account of the shortness of time, I will finish in five minutes and leave them to be developed at some future date at the next Session.

The first thing that I should like to point out is that we have been hearing a great deal about this present Budget being an anti-Madras Budget, a pro-Bengal Budget, and so on. I have been watching with patience all the time and never advanced the claims of the United Provinces. But I felt all the time that that Province was paying a penalty for its good administration, for its restrictions and self-restraint. Therefore, now the time has come when half the excise duty collected from any Province ought to be given to that Province alone. When my Honourable friend, Mr. Patil, was making his speech, I thought that he would have been right if he had said that the entire excise duty collected from any Province ought to be given to that Province. In that case, I would have very strongly supported him. I consider that whenever we take up these provincial questions, the United Provinces, which is the heart of India, ought not to be neglected and the claims of that Province should be considered. And we should not pay the penalty simply on account of the fact that we have been exercising great restraint in our expenditure. We are cutting down all such important expenditure as the other Provinces are now indulging in. But this I must point out that while we consider the claims of various Provinces, the United Provinces should not be ignored. I prepared my case with great labour by going through the United Provinces Budgets of the last five or six years, but on account of want of time, I do not like to dilate upon that now, and I shall wait for some future opportunity.

The second thing that I should like to point out is that in the discussion of the Bill, as I said, we may have a difference of opinion with Government whether this particular commodity is a proper commodity for the imposition of a duty. But once it is decided that the Finance Member should collect for revenue purposes a duty from this particular article, then the whole procedure, that has been adopted in this case, is perfectly honest, straightforward, and there is no flaw anywhere. No dust was thrown in our eyes. My Honourable friend, the Diwan Bahadur, mentioned the unscientific method of doing things. I did not hear the whole speech, and I was not present in the Committee. But I have been in other Committees, and, from my experience of these Committees, I can say that the methods that were adopted in discussion were anything but scientific, as I have repeatedly pointed out. Perhaps in this Committee they might have been perfectly scientific on account of the present persons

[Dr. Ziauddin Ahmad.]

who understood what they said and could watch the proceedings. This much I can say that we have given a protection which we promised and we never withdrew an inch from the promise. What we have done here is that we have rectified the mistake which was committed on account of the surcharge, and I think the industry should not be afraid. Because, after all, as far as I am concerned, and I think I can speak on behalf of many Non-Official Members, we will entirely support and stand by the promises given to this particular industry. We want really that the industry should progress and we want that the capitalists should derive a profit. But certainly not a profit in astronomical figures. Seven and half per cent or ten per cent in these days of depression and financial stringency is sufficient. So I think that whatever Government have done, they ought to watch the effects of this particular measure, and I am sure that this will not handicap the progress of the sugar industry which we have started. Of course, I agree, and probably my friends, the manufacturers, will admit that they have not themselves been fair to the sugar-cane growers. They may say whatever they please here on the floor of this House. Had they been fair to the sugar-cane producers, the sympathies of most of us would have been with them. But as they have been looking to their own personal interests, certainly they cannot expect persons who really represent the interests of the agriculturists and the consumers and of the public to support them. With these words, I beg to support the motion.

**Mr. O. S. Ranga Iyer:** Sir, I hope this Bill will not pronounce a sentence of death on *khandsari*. The factory competition is so fearful that Government should have altogether left out *khandsari* which is the only sugar that many orthodox Hindu families take. The excise duty is a tax on orthodoxy, so far as *khandsari* goes, on religious sentiments (*Dr. Ziauddin Ahmad*: "And so with us"), and, as *Dr. Ziauddin Ahmad* says, many Muslim families share that sentiment. But I know that this sentiment is admitted even by the Sugar Committee, and I read out a passage before from their Report. I hope the Government of India will take the earliest opportunity to remove the excise duty on *khandsari*. Companies and factories may flourish or may fade, but the old *khandsari* of Rohilkund fame, when once destroyed, can never be supplied.

**Seth Haji Abdoola Haroon:** Sir, I have much pleasure in supporting the two points mentioned by my friend, Lala Hari Raj Swarup. We have already passed the Bill, and it is no use saying anything at present. In my opinion, we will get Rs. 1-7-0 less protection now, according to the Report of the Tariff Board recommendation, as the circumstances have now changed. Government have now levied this duty, but I would request the Government to appoint a Committee or any officer of their own to make further inquiries into this matter. I have placed before the House a few figures, which the Honourable the Finance Member has not accepted, and so I would request him, since the Bill has been passed, to go through those figures and satisfy yourself whether my contention is right or not. According to clause 4 of the Protection Bill, which we passed in 1932, it says, this:

"If the Governor General in Council is satisfied, after such inquiry as he thinks fit, that sugar not manufactured in India is being imported into British India at such

a price as is likely to render insufficient the benefits intended to be conferred upon the sugar industry by the duties imposed by section 2, he may, by notification in the Gazette of India, increase such duty to such an extent as he himself thinks fit."

Sir, this is a very clear clause. Now, the Finance Member always relies upon the Tariff Act, and in that Act it is stated that Government may impose eight annas duty, but when we passed the Bill finally, we have clearly given power to Government to impose as much duty as they like. Therefore, I would ask the Government to go into the matter thoroughly, and if they find that the protection of Rs. 7-4-0 which is given by this measure is not sufficient, then they can increase the import duty or decrease the excise duty. This is a very reasonable request, and I hope Government will consider it seriously.

**Mr. B. Das:** Sir, the question may now be put.

**The Honourable Sir George Schuster:** Sir, I feel sure that everybody will be anxious to get away as soon as possible. I will, therefore, only deal with certain specific points that have been made.

Replying to my friend, Seth Abdoola Haroon, who has just spoken, I should like to say this on behalf of the Government. Government will most certainly watch the situation with the greatest care. They will at all times be prepared to receive representations from the sugar industry, because, as I have always made it clear, our intention is to treat the industry fairly, and if we had been convinced that this measure was going to leave the industry in an unfair position, as I said at the outset, we should never have proceeded with it. Everything depends on the price of sugar in India. I quite admit that. All our calculations as to whether the industry can bear this excise duty or not depends on certain assumptions as to the price of sugar in India, and that is a matter, as I say, we will carefully watch, while I think, on behalf of my colleagues in the Industry and Labour Department and in the Commerce Department, I can say that Government will be only too anxious to keep in touch with the industry and watch how this measure works.

7 P.M.

Then, Sir, another point was made by my friend, Lala Hari Raj Swarup, about the Government's obligation to undertake proper work in the direction of research, and he said that Government had not fulfilled their obligations in that matter. I do not know whether my friend was here when I spoke in making the motion for consideration of the Bill as reported, but after giving an account of what Government had already done, I stated quite clearly that Government recognised the need for setting up an Imperial Sugar Research Institute, and that they were now already in direct touch with the United Provinces Government as regards a plan for developing such an institute in the buildings of the Harcourt Butler Institute in Cawnpore. Government are proceeding with the study of that matter, and I hope that my friend will be satisfied with the result.

My friend, Mr. Ranga Iyer, again spoke on behalf of his beloved *khandsari* industry. Sir, I think I might put it to my friend that if there is any portion of the sugar industry that has come well out of these proceedings, it is the *khandsari* industry. So far as the purely agricultural part of it is concerned, the cottage industry, it remains untouched. So far as the real factory part of the industry is concerned, it has emerged from these discussions in a very much stronger position than it was before,

[Sir George Schuster.]

for hitherto it has had to compete on equal terms with the modern large scale factories. Now, it has been given a benefit by slightly more than one-half of the excise duty, and my only fear is that perhaps the factory *khandsari* industry is being put in an unduly favourable position. I think my friend can go back to his constituents and say that, so far as concerns those on the number of whose votes he chiefly counts, they have done very well as a result of this measure, and that he has earned their support at the next election, whenever that may come.

Lastly, Sir, I would like, before finally closing, to say one more word on this question of statistics and my revenue estimates. I have now found the source of information from which my friend, Diwan Bahadur Mudaliar, was quoting, and I find that it is a document prepared "for the use of the Members of the Sugar Conference only" in June, 1933. I think I am correct in that. It deals entirely with estimates of production and so on, and, therefore, the figures cannot be quoted as actually realised figures. I find that the estimate given for the annual production of Indian made sugar for 1933-34 was 586,000 tons. But I would remind my Honourable friend that that refers to the sugar season of 1933-34 which does not exactly correspond with the financial year 1933-34 and which still less corresponds to it if the period for the consumption of that sugar is taken into account. I find that we ourselves, in preparing our estimates, had considered these figures and it was explained to us that for all practical purposes you have got to push these figures forward by one year,—in fact that production in the sugar season 1933-34 really means consumption in the financial year 1934-35. And, to illustrate my point, I would remind my Honourable friend that on these figures it was estimated that the imports in 1933-34 would be only 54,000 tons. Obviously that is an absurd figure, and it is explained by the fact that 1933-34 really means for the purpose of consumption the succeeding year. I do not know what figures my Honourable friend gave, but the imports for 1933-34 are 264,000 tons, and my Honourable friend quoted a much larger figure. I would also remind him that in all these estimates on which he relies the total quantity of sugar consumed in India is estimated at 940,000 tons, including *khandsari* sugar. I took a higher figure than that. I took a million tons for the total consumption.

**Diwan Bahadur A. Ramaswami Mudaliar:** May I just inform my Honourable friend that the total quantity of foreign sugar imported into this country in 1928-29, excluding *khandsari* sugar, of course, was 925,000 tons, and in 1929-30, 941,000 tons, 1930-31, 984,000 tons. So that, till the duty was levied at Rs. 6-4-0, a total quantity of over 900,000 tons certainly was being imported into this country from foreign countries.

**The Honourable Sir George Schuster:** If my Honourable friend had allowed me to continue my remarks, I would have given the House the same figures. We now are estimating a total consumption of one million tons. If one goes back over a period of ten years, from 1923-24 one finds that the consumption of sugar in India has varied very remarkably. In 1923-24, the total consumption including home production was 678,000 tons. It rose to a peak figure of 1,324,000 tons in 1929-30, that is to say, rather more than a million tons, quite apart from *khandsari* sugar, but since then the figure has been going down very steeply with the decline

in purchasing power. For 1931-32, the total was 982,000 tons, 1932-33 it was 928,000 tons. These, as a matter of fact, are figures with which I am very familiar, because I like to have the revenue figures checked by figures of this kind, and I definitely felt that I was taking an optimistic basis in taking the total consumption of one million tons for 1934-35, because we have been for the last few years considerably below that figure. I am afraid that I am still of the view that our estimates do not err on the side of caution. I wish very much that my Honourable friend had been able to persuade me that they did. I should leave this country in a very much happier condition if I thought that our estimates were too cautious and the results were likely to be very much better than I anticipated.

In conclusion, I must thank Honourable Members, and particularly those whose interests have been most severely affected by this measure, for the moderation with which they have spoken in this third reading debate. I can only again assure them that the Government of India have the interests of the sugar industry at heart and that if there is any way in which the Government of India can help them to maintain their position, that way will be followed, especially in the way of research and in watching their other interests. (Applause.)

**Mr. President** (The Honourable Sir Shanmukham Chetty): The question is:

“That the Bill, as amended, be passed.”

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 19th April, 1934.