

LEGISLATIVE ASSEMBLY DEBATES

WEDNESDAY, 22nd AUGUST, 1934

Vol. VII—No. 11

OFFICIAL REPORT



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SIMLA : PRINTED BY THE MANAGER
GOVERNMENT OF INDIA PRESS : 1934

Price Five Annas.

LEGISLATIVE ASSEMBLY.

Wednesday, 22nd August, 1934.

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

QUESTIONS AND ANSWERS.

TRADE UNIONS IN INDIA CARRYING ON LIFE ASSURANCE BUSINESS.

763. *Sardar G. N. Mujumdar : (a) Is it a fact that section 14 of the Indian Trade Unions Act of 1926 lays down that the Provident Insurance Societies Act of 1912 and the Indian Life Assurance Companies Act of 1912 shall not apply to any registered trade union ?

(b) Are Government aware that several registered Trade Unions in India are carrying on life assurance business ? If so, what action have Government taken or propose to take against such Unions ? If none, why not ?

(c) Will Government please state the names of the trade unions carrying on business as life assurance companies ?

(d) Have Government laid down any safeguards similar to those for life assurance companies in the case of trade unions carrying on life assurance business ? If not, do they propose to do so by amending the Trade Unions Act ? If not, why not ?

The Honourable Sir Frank Noyce : (a) Yes.

(b) and (c). Government have no information as to which registered trade unions are carrying on life assurance business, but the Indian Trade Unions Act permits them to do so, so long as policies of assurance are restricted to members.

(d) Section 28 (1) of the Indian Trade Unions Act, 1926, which provides for the submission by registered trade unions of annual statements of receipts and expenditure audited in the prescribed manner, enables every member to ascertain for himself the financial condition of his Union. Under this section it is also open to the Local Government to require the submission of separate accounts in connection with the insurance business of a registered Trade Union. In the circumstances, Government do not propose to take any action in the matter until experience shows the necessity for further safeguards.

APPOINTMENT OF A GOVERNMENT SERVANT TO A LOWER GRADE POST.

764. *Sardar G. N. Mujumdar : Is it a fact that under Fundamental Rule 15, no Government servant shall be appointed to a lower grade post carrying less pay than his position in the cadre, save in cases of inefficiency or misbehaviour ?

(1613)

The Honourable Sir James Grigg : The position is substantially as indicated by the Honourable Member, except in the case of a transfer effected on the written request of the officer concerned.

REDUCTION OF A RAILWAY EMPLOYEE TO A LOWER GRADE.

765. ***Sardar G. N. Mujumdar :** Is it a fact that under paragraph 300 of the State Railway Open Lines Code, Volume II, no Railway employee may be reduced to a lower grade save as a punishment ?

Mr. P. R. Rau : The rule runs as follows :

“ The promotion of persons of all classes may be stopped, or their reduction to a lower grade may be ordered, as a punishment for misconduct or neglect of duty, at the discretion of the Manager or the Railway Board, according as these authorities make promotions.”

PROMOTION TO TRANSPORTATION INSPECTORSHIP.

766. ***Sardar G. N. Mujumdar :** Is it a fact that under Rule 10, Section II, of the Rules for the recruitment and training of Subordinate Staff, only Station Masters, Controllers, or Yard Foremen are eligible for promotion to Transportation Inspectorship ?

Mr. P. R. Rau : No.

DECLARATION OF THE POST OF TRANSPORTATION INSPECTOR AS A SELECTION POST ON THE EAST INDIAN RAILWAY.

767. ***Sardar G. N. Mujumdar :** Is it a fact that under Rule 2, Note 1, of the Rules for the recruitment and training of Subordinate Staff, the Agent, East Indian Railway, in his Circular No. 548, A.E.-2460 of the 1st October, 1932, declared the post of Transportation Inspector a selection post ?

Mr. P. R. Rau : Yes.

NON-ELIGIBILITY OF THE HOLDER OF A SELECTION POST IN A SUBSTANTIVE CAPACITY TO HOLD A LOWER POST.

768. ***Sardar G. N. Mujumdar :** Is it a fact that the holder of a selection post in a substantive capacity is not eligible to hold a lower post, either temporarily, officiating or otherwise, in a non-selection grade ?

Mr. P. R. Rau : I am afraid I must ask my Honourable friend to make his meaning clearer and more definite before I can attempt to answer his question.

ALLEGATIONS AGAINST THE DIVISIONAL SUPERINTENDENT, MORADABAD.

769. ***Sardar G. N. Mujumdar :** Is it a fact that the Divisional Superintendent, Moradabad, always and regularly disobeys the orders of the Railway Board, and the Agent and defies the rules and regulations ? If not, will Government please state :

- (a) the authority under which he has in his No. E.T.-3|33|S.M., dated the 11th October, 1933, ordered the Transportation Inspectors (substantive permanent since June, 1922), to officiate as Station Masters (non-selection posts) ;
- (b) the authority under which he has recommended unqualified clerks of his office for promotion to Transportation Inspectors ;
- (c) whether the Head Clerk, Trains Branch, appointed as Transportation Inspector underwent practical training in Com-

- mercial duties ; if so, when and where and when he passed the higher grade's examination ; if not, the special reasons for his appointment ;
- (d) whether the Controller, appointed as Transportation Inspector underwent practical training in Commercial duties ; if so, when and where and when he passed the higher grade's examination ; if not, the special reasons for his appointment ;
- (e) whether the Guard appointed as Transportation Inspector underwent practical training in Commercial duties ; if so, when and where, and the special reasons for his promotion without working as Station Master ;
- (f) the number of Transportation Inspectors who are utilised as Station Masters, and the reasons for such action against rules and regulations ;
- (g) if there are any subordinates amongst Controllers, Section Controllers, Station Masters, and Assistant Station Masters, qualified in Commercial duties and in the Goods Audit Examination ; if so, why their names were not recommended and considered for the post of Transportation Inspectors ; and
- (h) when the Selection Board for these appointments was held, and whether they are prepared to lay a copy of the proceedings of the Selection Board on the table of this House ; if not, why not ?

Mr. P. B. Rau : The reply to the first part of the question is in the negative. As regards the rest Government have no information and must leave such matters of detail to the Railway Administration, but I have sent a copy of the question to the Agent, East Indian Railway, for his information and such action as he may consider necessary.

PROVISION OF MEDICAL FACILITIES AND POLICE ARRANGEMENTS IN THE AREA NEAR THE GOVERNMENT OF INDIA PRESS, NEW DELHI.

770. ***Rao Bahadur M. C. Rajah :** (a) Are Government aware that great inconvenience is being felt by the staff of the Government of India Press, New Delhi, owing to the absence of medical facilities and inadequate police arrangements in that area ?

(b) What is the total number of quarters occupied by the staff of the above Press, and how many quarters have now been built on the Minto and the Circular Roads and allotted to the staff of the Government of India offices for the ensuing winter season ?

(c) How far are the nearest Government hospital and the nearest Police Station from the Government of India Press quarters ?

(d) Do Government propose to open a dispensary and a police post and appoint a medical attendant for that area ?

The Honourable Sir Frank Noyce : Information has been called for and a reply will be laid on the table of the House in due course.

LANDING PLACE FOR AIR SERVICE IN RAMNAD.

771. ***Mr. B. Rajaram Pandian :** Are Government prepared to open a landing place for air service in Ramnad to connect Ceylon and India and open a mail service also ?

The Honourable Sir Frank Noyce : Government already have under discussion with the Ceylon Government a proposal for the extension of the existing Karachi-Madras Air Mail Service to Ceylon. It has been provisionally decided to make Trichinopoly the intermediate port of call between Madras and Colombo when the service is extended. It is probable that additional emergency landing grounds will be required but it is not yet possible to say where these, if found necessary, will be located.

Mr. B. Rajaram Pandian : Are Government making any inquiries on this subject as to the place ?

The Honourable Sir Frank Noyce : Naturally, Sir.

PROTECTION OF DHANUSHKODI, A SACRED PLACE OF IMPORTANCE TO HINDUS.

772. ***Mr. B. Rajaram Pandian :** Are Government aware that the place, Dhanushkodi, which is not only meant for connecting Ceylon and India but is a sacred place of all-India importance to the Hindus, with a floating population of over a lakh annually, is being threatened with being washed away by the sea ? If so, will Government be pleased to state what protection they propose to give and what steps they propose to take in order to give due protection to that place ?

The Honourable Sir Frank Noyce : No, Sir. I have no doubt that the Local Government are fully aware of the position and will take any steps that they may consider necessary.

RUNNING OF AN INTERMEDIATE CLASS COMPARTMENT IN THE RAMESHWARAM EXPRESS OF THE SOUTH INDIAN RAILWAY.

773. ***Mr. B. Rajaram Pandian :** Will Government be pleased to state whether the South Indian Railway is running an intermediate class compartment in the Rameshwaram Express ?

Mr. P. R. Rau : According to the current time table, intermediate class accommodation is provided on Nos. 1 and 2 Indo-Ceylon Expresses only and not on the Dhanushkodi Fast Passengers, which presumably are the trains the Honourable Member refers to as the Rameshwaram Express.

RETURN OF LABOURERS FROM CEYLON.

774. ***Mr. B. Rajaram Pandian :** (a) Will Government be pleased to state the reasons for the return of labourers in large numbers from Ceylon in the months of February to April last ?

(b) What is the total number of labourers from the beginning of the year to the end of April ?

(c) What is the total number of labourers that have gone to Ceylon from 1st of May to the end of July, 1934 ?

Mr. G. S. Bajpai : (a) The number of Indian labourers returning from Ceylon to India during February to May is always larger than during the other months of the year. The number who returned during February to April last is not abnormal.

(b) 20,524.

(c) 71,659.

WORKING OF CREW SYSTEM ON THE SOUTH INDIAN RAILWAY.

775. *Mr. B. Bajaram Pandian : (a) Will Government be pleased to state how the crew system is working on the South Indian Railway ?

(b) What is the actual enhanced income the Railway has derived since the introduction of this system ?

(c) Are Government aware that at dead of nights these crew-men go and disturb the sleeping passengers in the train ? If so, do Government propose to issue instructions to the South Indian Railway administration to stop the practice of disturbing the passengers at night ?

Mr. P. R. Rau : (a) and (b). I am placing on the table an extract from the Agent, South Indian Railway's Annual Report which gives all information Government have on the working of the system of ticket checking on that line during 1933-34.

(c) The reply to the first part is in the negative. As regards the second part, I am communicating the Honourable Member's suggestion to the Agent, South Indian Railway, for such action as he may consider necessary, in order to diminish the inconvenience to passengers as far as possible.

Extract paragraph 3 from Agent, South Indian Railway's Annual Report for 1933-34 Section I.

(i) There are 197 Travelling Ticket Examiners and 14 Travelling Ticket Inspectors for checking trains. Of these 20 Travelling Ticket Examiners and 4 Travelling Ticket Inspectors are posted at headquarters, divided into 4 squads of which one is a Special Festival Squad while the remainder of the Travelling Ticket Examiners and Inspectors are distributed on the districts as under :—

	Travelling Ticket Examiners.	Travelling Ticket Inspectors.	
Madras	30	2 and 4	} Travelling Ticket Examiners to form a squad.
Trichinopoly	35	2 „ 5	
Madura	27	2 „ 4	
Tinnevely	17	1 „ 4	
Podanur	25	2 „ 6	
Calicut	16	1 „ 4	

(ii) The Travelling Ticket Examiners allotted to the Districts check trains according to monthly Rosters and about 70 per cent. of the trains are checked daily. The District Traffic Superintendents engage the District Squads to the best advantage for minor festivals, etc.

(iii) The 3 Ticket Checking Squads at headquarters are allotted to North and South Sections on the Metre Gauge and to the Broad Gauge. Each squad is split up into 3 batches who check passenger tickets on as many trains as possible. The Travelling Ticket Examiners assist in preventing trespass and see that tickets are properly collected at stations. They also attend festivals in the absence of the Festival Squad who attend all important festivals and check trains near stations at which a festival takes place. Normally their work is similar to the other squads.

(iv) Prosecution work continues to be done from headquarters.

(v) A comparative statement showing the results of working is appended.

Statement showing Earnings and Expenditure of Ticket Examining Staff (running and office) from 1st April, 1933 to 31st March, 1934 as compared with the previous year (1932-33).

No.	Particulars.	Period.			
		1st April, 1932 to 31st March, 1933.		1st April, 1933 to 31st March, 1934.	
1	No. of passengers travelling without tickets. No.	164,220		*164,411	
2	Amount collected—				
	(a) fare Rs.	1,06,346		*1,04,598	
	(b) Penalty "	33,302		33,962	
	Total "	1,39,648		1,38,560	
		Under Section		Under Section.	
		112	113	112	113
3	No. of prosecutions—				
	(a) Successful No.	39	1,369	34	1,186
	(b) Unsuccessful "	13	2,112	8	1,452
	Total "	52	3,481	42	2,638
4	No. of cases detected where luggage was improperly booked—				
	(a) Number "	37,367		37,990	
	(b) Amount collected .. Rs.	44,655		53,337	
5	No. of staff employed on the last day of the year—				
	(a) Travelling Staff .. No.	226		225	
	(b) Office staff including Crew Clerks "	28		18	
	Total "	254		243	
6	Cost of staff employed for the year—				
	(a) Travelling Staff .. Rs.	1,44,810		1,47,187	
	(b) Office Staff including Crew Clerks "	11,501		6,896	
	Total "	1,56,311		1,54,083	

* Includes 946 passengers who voluntarily paid fares amounting to Rs. 1,996 due to the Company for journeys beyond the original destination or in higher classes owing to their inability to procure the necessary tickets while commencing the journey.

NOTE.—1. The decrease under items 5(b) and 6(b) is due to the number and cost of crew office staff chargeable to the regular office staff of the Commercial Department not having been included during the year under review.

2. The figures of cost under item 6 represent gross cost.

PROVISION OF SHEDS FOR PILGRIMS AT DHANUSHKODI.

776. ***Mr. B. Rajaram Pandian** : Will Government be pleased to state if the South Indian Railway are prepared to provide pilgrim-sheds for the pilgrims who visit Dhanushkodi ?

Mr. P. R. Rau : With your permission, Sir, I shall answer questions Nos. 776 and 777 together. Government have forwarded the suggestions to the Agent, South Indian Railway, for consideration.

Mr. Gaya Prasad Singh : Are Government aware that pilgrims going to Dhanushkodi are put to a great amount of inconvenience for want of a shed there, as I myself witnessed a few years ago ?

Mr. P. R. Rau : I shall take my Honourable friend's word for it.

Mr. Rajaram Pandian : Sir, I may mention that the names of the two places are given wrongly here. They should be "Darbhasayanam" and "Navapashanam".

PUTTING UP OF A BOARD ON THE RAMNAD STATION, SOUTH INDIAN RAILWAY.

†777. ***Mr. B. Rajaram Pandian** : Are Government prepared to advise the South Indian Railway to put up a board on the Ramnad Railway Station for pilgrims who want to visit Dharmasmenjanam and Navajashanam, the two important religious places, in all the languages which would help a great way to the pilgrims who go from Northern India to these parts ?

CONTRACTS GIVEN BY THE DIVISIONAL SUPERINTENDENT, NORTH WESTERN RAILWAY, FEROZEPORE.

778. ***Sardar Sant Singh** : (a) How are the contracts given by the Divisional Superintendent of the North Western Railway, Ferozepore ?

(b) Are such contracts notified in any way and tenders invited ? If so, how and in which papers ?

(c) What are the general terms of such contracts offered by him ?

(d) Are Government aware that the food stuff sold by these Railway contractors in the Ferozepore Division of the North Western Railway, is of very much inferior quality and the price charged by the vendors is exorbitant as compared with the bazar rates ?

(e) Are Government aware of the general dissatisfaction of the travelling public in this Division over this matter, and if so, how do Government propose to remove this complaint ?

Mr. P. R. Rau : (a) By selection of the most suitable local professional men from among the applicants.

(b) The reply to the first part is in the negative, and the second does not, therefore, arise.

(c) I am placing in the Library of the House a copy of the contract form.

(d) No, I understand that the tariff of charges at each station is sent to the local civil authorities twice a year and that they make the necessary alterations therein according to prices prevailing locally.

† For answer to this question, see answer to question No. 776.

(e) The Agent, North Western Railway, reports that during the last six months only four complaints have been received. This does not indicate general dissatisfaction.

PROTECTION OF THE SMALL INDIAN STEAMSHIP COMPANIES.

779. *Mr. Gaya Prasad Singh : (a) Will Government be pleased to state whether they have received any representation during the current year from the association of the small Indian steamship companies, requesting them to call a conference of all the Indian shipping interests concerned so that all avenues to take the small steamship companies into the Conference might be explored and they might live and grow as an integral part of the Indian Mercantile Marine ?

(b) If the answer to part (a) be in the affirmative, will Government be pleased to state whether they propose to call a conference of all the Indian shipping interests to protect the Indian steamship companies from being wiped out of existence ?

The Honourable Sir Joseph Bhoré : (a) Yes.

(b) The matter is receiving the consideration of the Government of India.

DISCONTINUANCE BY THE BIBBY LINE OF STEAMERS OF CARRYING DECK PASSENGERS FROM COLOMBO TO RANGOON.

780. *Rao Bahadur M. C. Rajah : (a) Will Government be pleased to state :

- (i) whether the Bibby Line of steamers are common carriers of goods and passengers ;
- (ii) whether they carry cabin passengers from Rangoon to Colombo and *vice versa* ;
- (iii) whether they still carry deck passengers from Colombo to Rangoon ; and
- (iv) whether they have discontinued carrying from Rangoon to Colombo deck passengers other than the servants of cabin passengers ?

(b) If the reply to part (a) (iv) be in the affirmative, will Government be pleased to state :

- (i) from what date and on what grounds to the knowledge of Government such discontinuance was made ;
- (ii) whether the discontinuance is permanent or temporary, and if temporary, when it will cease ;
- (iii) whether they are aware that the discontinuance is causing great inconvenience, trouble and hardship to passengers from Rangoon to Colombo, who cannot afford a cabin passage, as such passengers have now to travel *via* Madras, undergoing quarantine at the Mandapam camp ; and
- (iv) whether they are prepared to take steps for the removal of this discrimination at the earliest possible opportunity ?

The Honourable Sir Joseph Bhoré : (a) (i). Government are not in a position to express an opinion on the point.

(ii) and (iii). Yes.

(iv) From representations that they have received the Government of India understand that Bibby Line steamers do not now carry deck passengers from Rangoon to Colombo.

(b) (i) to (iv). In January, 1932, it was brought to the notice of the Government of India that Bibby Line steamers sometimes carried deck passengers from Rangoon to Colombo although the Board of Trade's passenger certificates held by them contained no definite provision for the carriage of deck passengers. After a careful examination of the position, the Government of India held that the certificates issued to Bibby Line steamers by the Board of Trade did not authorise the carriage of deck passengers, however few in number. This decision was communicated to the agents of the Company at Rangoon and they were told at the same time that their ships would be permitted to carry deck passengers if application were made for a further survey at Rangoon and the Government Surveyor was satisfied as to the adequacy of the life saving appliances, sanitary arrangements and shelter provided for such passengers. Since then, no deck passengers appear to have been carried in the Company's steamers from Rangoon to Colombo. The remedy, however, lies in the Company's own hands.

DISCHARGE OF NINE DEPUTY ASSISTANT CONTROLLERS OF MILITARY ACCOUNTS.

781. *Mr. Jagan Nath Aggarwal : (a) With reference to the starred question No. 416 (a) of the 9th March, 1934, will Government please state whether it is not a fact that prior to the instance of the compulsory retirement of a Deputy Assistant Controller of Military Accounts in 1930, quoted, no such compulsory retirement had been ordered under the Civil Service Regulation Rule 465A ? In regard to the 1930 instance, will Government please state whether it related to the Military Accounts Department, and quote their notification concerned ?

(b) Are not the officers retiring in the Military Accounts Department every year only a few in number and will Government please state why the information asked for is not available ? Are Government now prepared to furnish the same ?

The Honourable Sir James Grigg : With your permission, Sir, I propose to deal with questions Nos. 781 to 791 together.

These relate generally to the retirement in 1933 of nine Deputy Assistant Controllers of Military Accounts under Note 1 of Article 465-A of the Civil Service Regulations in accordance with which Government retains an absolute right to retire any officer after he has completed 25 years qualifying service without giving any reasons. The right is not exercised except when it is in the public interest to dispense with the further services of an officer. Seven of these officers were retired on this general ground and after Government had, on a careful examination of their records by my predecessor, decided that they did not reach the standard of efficiency which departmental interests required. The remaining two, whose cases are particularly referred to in these questions, were retired, not only on the general ground I have mentioned, but because their definite omission to discharge certain duties imposed on them as Local Audit Officers had facilitated the perpetration at Rawalpindi of two frauds which involved a total loss to Government of Rs. 74,000. So far as these

particular instances of laxity were concerned, they were given the fullest opportunity to represent their case in accordance with the regulations of the Department. I have satisfied myself in all the cases that the retirement of these officers was in the public interest and was given effect to after the most careful consideration and after full compliance with any formalities prescribed in this connection. I regret that I am not prepared to furnish more detailed information on the many points to which the Honourable Member has referred. It is detrimental to service discipline, and is, therefore, not in the public interest, that there should be public discussion of the details of individual cases of this character.

Mr. Jagan Nath Aggarwal : May I invite the attention of the Honourable Member to the fact that two persons, the Superintendent and the Auditor, were put before the ordinary Courts of law in connection with these frauds and were acquitted and have since been re-instated by Government ?

The Honourable Sir James Grigg : Presumably that fact was fully taken into account in the investigation of these cases that was undertaken by my predecessor.

Mr. Jagan Nath Aggarwal : But may I point out that this acquittal has taken place only recently and could not have been taken into consideration then ?

The Honourable Sir James Grigg : I do not think the acquittal of two people who are found to be innocent and are put back presumably after a full review of their case by the authorities concerned alters the fact that contributory negligence on the part of other people should be properly dealt with.

Mr. Jagan Nath Aggarwal : If persons who were more directly concerned, like the Superintendent and the Auditor, are exonerated by a Court of law, does it not follow that their superior officers have been unfairly held liable to punishment which had been meted out to them in advance ?

The Honourable Sir James Grigg : The cases of these superior officers were fully inquired into by my predecessor and by myself and the fact that their negligence facilitated these frauds has been fully established ; and, therefore, as I said, I think their cases have been dealt with quite equitably and I am not prepared to reopen them.

Mr. Jagan Nath Aggarwal : Does it not look a bit unfair that the persons to whom punishment was meted out at a particular time are left to suffer, whereas those who are more directly concerned are exonerated by a Court of law ? Does it not give new material to the Honourable Member to look into these cases ?

The Honourable Sir James Grigg : The people who were exonerated by the Court of law were presumably acquitted of charges of fraud, and their cases were presumably reviewed by the authorities concerned and dealt with in accordance with the regulations. But these people were found, on departmental investigation, to have contributed by their negligence to the success of the fraud and they have been dealt with in accordance with the requirements of departmental discipline.

Mr. K. P. Thampan : Have these two people who were acquitted by a Court of law been re-instated in service ?

The Honourable Sir James Grigg : As a matter of fact, I was not aware of the re-instatement of these two people who have been acquitted by a Court of law. But it seems to me, on the face of it, quite irrelevant to the questions asked in regard to other people who were negligent and in regard to whom there was no question of any accusation of fraud.

Mr. K. P. Thampan : Will the Honourable Member kindly inquire whether these two people have been actually re-instated ?

The Honourable Sir James Grigg : Certainly, Sir, but it does not seem to be in the least relevant that the people were acquitted of fraud. That fact by itself does not acquit other people of negligence, and the negligent have been dealt with.

Mr. K. P. Thampan : If these two people who were primarily concerned in the offence have been acquitted in a Court of law, have not the rest, who were departmentally dealt with a cause of action for damages against the Government ?

The Honourable Sir James Grigg : I think not. I think there is no connection between the two cases.

Mr. Jagan Nath Aggarwal : Were not the Superintendent and the Auditor below the Military Accounts Officers who have been punished ?

The Honourable Sir James Grigg : Whether they were or not, the Court of law has decided in their cases. But what is quite indubitable was that the two people who have been punished were negligent, and, therefore, the fraud was not discovered.

Bhai Parma Nand : May I know if it is a fact that of these two persons who were thus dismissed for negligence, one had taken leave for some months, and, therefore, it was not possible for him to attend to his duty and detect the fraud ?

The Honourable Sir James Grigg : These people have not been dismissed for negligence : they have been retired, one of them on full pension, and the other on a slightly reduced pension.

Bhai Parma Nand : My point was this, whether it could be called negligence in case a man had taken leave of absence : would that be negligence on his part ?

The Honourable Sir James Grigg : I do not feel called upon to answer that particular question, because, as I said, these officers have had every opportunity to advance any considerations on their own behalf that they felt disposed to make : they have had that opportunity and their case was fully investigated by my predecessor, and he was satisfied, as I am, that they were dealt with properly.

Bhai Parma Nand : But is it a fact that they sent representations and no answer was given to them in reply—whether the representation was satisfactory or not ?

The Honourable Sir James Grigg : So far as these particular instances of laxity were concerned, they were given the fullest opportunity to represent their case in accordance with the regulations of the Department.

Dr. Ziauddin Ahmad : Do I understand that these persons were responsible for negligence of a crime which, according to a Court of law, was never committed ?

The Honourable Sir James Grigg : No. The Court of law decided that the fraud was not committed by two particular people : the fraud was indubitably committed and these people contributed to the fraud by their negligence.

DISCHARGE OF NINE DEPUTY ASSISTANT CONTROLLERS OF MILITARY ACCOUNTS.

†782. ***Mr. Jagan Nath Aggarwal :** With reference to the starred question No. 417 (b) of the 9th March, 1934, will Government please state whether the question of compulsory retirement of the nine Deputy Assistant Controllers of Military Accounts referred to was placed before the Controllers' Conference for discussion ? If not, why not ?

DISCHARGE OF NINE DEPUTY ASSISTANT CONTROLLERS OF MILITARY ACCOUNTS.

†783. ***Mr. Jagan Nath Aggarwal :** (a) With reference to the starred question No. 417 (c) of the 9th March, 1934, will Government please state definitely in how many of the nine cases the Controllers concerned recommended the action taken ? In which cases did the Military Accountant General make the recommendation of his own accord ?

(b) Was the recommendation made by the Controller of Military Accounts with reference to the letter to this effect from the Military Accountant General himself ?

(c) Will Government please place on the table a copy of the letter that the Military Accountant General wrote to the Controllers as an initiation of the subject of compulsory retirement and state whether he himself suggested names ?

DISCHARGE OF NINE DEPUTY ASSISTANT CONTROLLERS OF MILITARY ACCOUNTS.

†784. ***Mr. Jagan Nath Aggarwal :** With reference to the answer to starred question No. 417 (d) of the 9th March, 1934, will Government please state why the nine Deputy Assistant Controllers of Military Accounts could not be warned beforehand to either retire voluntarily under the Retrenchment Rules (communicated to all officers for consideration during 1932) or else that they would be compulsorily retired under Article 465-A, Civil Service Regulations ?

INTERPRETATION OF ARTICLE 465-A OF THE CIVIL SERVICE REGULATIONS.

†785. ***Mr. Jagan Nath Aggarwal :** Will Government please lay on the table a copy of the interpretation of Article 465-A, Civil Service Regulations, as given by the Finance Department in November, 1933 ?

DISCHARGE OF NINE DEPUTY ASSISTANT CONTROLLERS OF MILITARY ACCOUNTS.

†786. ***Mr. Jagan Nath Aggarwal :** (a) With reference to the answer to starred questions Nos. 418 and 421 of the 9th March, 1934, regarding the retrenchment of nine Deputy Assistant Controllers of Military Accounts in which it was stated that regular and 'very full' enquiries have been made in accordance with rules in the case of officers Nos. 8 and 9, will Government please state exactly :

(i) what those enquiries were and which are the rules referred to :

†For answer to this question, see answer to question No. 781.

- (ii) who were the officials entrusted with the investigation ;
 - (iii) whether the retrenched officers were informed of the formation of the investigating body ;
 - (iv) whether they were called upon to appear before this body to defend their cases ; and
 - (v) whether they were given full opportunity, facility and material to enable them to tender their defence ?
- (b) Will Government please explain fully the investigation made ?
- (a) Are Government now prepared to furnish complete answers to all points raised in the starred question 418 of the 9th March, 1934 ?

DISCHARGE OF NINE DEPUTY ASSISTANT CONTROLLERS OF MILITARY ACCOUNTS.

†787. *Mr. Jagan Nath Aggarwal : (a) With reference to the answer to starred question No. 417 (e) of the 9th March, 1934, regarding the discharge of nine Deputy Assistant Controllers of Military Accounts, will Government please state what considerations have stood in their way of furnishing the information required ?

(b) Are Government aware that the information asked for is in respect of a short period and are Government now prepared to furnish the statement required ?

DUTIES OF THE MILITARY ACCOUNTS DEPARTMENT AND THE DEPUTY ASSISTANT CONTROLLERS OF MILITARY ACCOUNTS.

†788. *Mr. Jagan Nath Aggarwal : In answer to the starred questions 419 (a) and 420-A of the 9th March, 1934, it is stated that the " Duties " of the Military Accounts Department and the Deputy Assistant Controllers are different from those of the Civil Accounts Offices and the Assistant Accounts Offices ? Will Government kindly explain the difference ?

EFFICIENCY OF THE MILITARY ACCOUNTS DEPARTMENT.

†789. *Mr. Jagan Nath Aggarwal ; (a) Is it not a fact that the Auditor General's remarks as to the general efficiency or otherwise of audit in a Department are not necessarily stated in the yearly Audit reports in all cases ? Are Government prepared to obtain from the Auditor General an answer to question No. 419 (b) of the 9th March, 1934 ?

(b) Is it not a fact that the Auditor General has with reference to the report on Appropriation Accounts for 1932-33 recently stated that the efficiency of the Military Accounts Department has improved ?

STANDARD OF AUDIT IN THE MILITARY ACCOUNTS DEPARTMENT.

†790. *Mr. Jagan Nath Aggarwal : (a) With reference to the answer to starred question No. 419 (e) of the 9th March, 1934, regarding the standard of audit in the Military Accounts Department, will Government please furnish a complete set of Audit Reports of the last ten years ?

†For answer to this question, see answer to question No. 781.

(b) Are Government aware that in these yearly reports the irregularities noticed by the Military Accounts Department and by the Army Test Audit authorities are not so marked? Will Government therefore please lay on the table the comparative statement already called for?

(c) With reference to the answer to starred question No. 419 (c) and (f) of the 9th March, 1934, will Government please place on the table the circular issued on the particular point, referred to by me in my original question some considerable time after the Northern Command order of the 23rd August, 1929, and state whether it is not a fact that the Military Accountant General, when Controller of Military Accounts at Rawalpindi, had given very strict orders that the issue of the 'written' objection statements by the Local Audit Staff should be cut down to the lowest limit possible, and serious irregularities were detected *subsequent* to his transfer from Rawalpindi?

DISCHARGE OF NINE DEPUTY ASSISTANT CONTROLLERS OF MILITARY ACCOUNTS.

†791. *Mr. Jagan Nath Aggarwal: With reference to the answer to starred question No. 420 (c) and (d) of the 9th March, 1934, will Government please state whether it is not a fact that Sir B. N. Mitra, when Financial Adviser, Military Finance, kept himself personally in touch with the Deputy Assistant Controllers, although the pressure of work in his time was even more and further that cases were thrashed out threadbare unlike the present system when the Military Accountant General's disposals of personal cases are simply sent to the Financial Adviser direct for signature?

(b) Will Government seriously consider the necessity of having the cases of the nine officers retired during the absence of permanent Financial Adviser on leave, reviewed with a view to recalling them to duty, if possible, or awarding them compensation for premature retirement?

INTRODUCTION OF GROUP SYSTEM IN THE MILITARY ACCOUNTS DEPARTMENT.

792. *Mr. Jagan Nath Aggarwal: (a) Will Government please explain the reasons for the introduction in 1929 of the Group System in the Military Accounts Department?

The Honourable Sir James Grigg: The "Group System" in the Military Accounts Department was introduced on the amalgamation of certain Military Accounts offices. It aimed at decentralising work in the larger offices that were formed as a result of the amalgamation of offices. The functions of Group Officers are analogous to those of the old District Controllers of Military Accounts.

INTRODUCTION OF MECHANICAL COMPILATION SYSTEM IN THE MILITARY ACCOUNTS DEPARTMENT.

793. *Mr. Jagan Nath Aggarwal: (a) Will Government please explain in brief the advantages gained and the savings made by the mechanical compilation system introduced in the Military Accounts Department?

†For answer to this question, see answer to question No. 781.

(b) Was this system previously tried in the Railway Accounts Service but given up as it did not prove to be advantageous ?

(c) Are Government aware that clerks and superintendents have to work long extra hours to avoid mistakes for which they are heavily punished for each mistake ?

(d) What is the number and names of the machines used and their value ?

(e) What is the amount of monthly hire paid for each machine and why have the machines not been bought by Government ?

The Honourable Sir James Grigg :

(a) The advantages gained are in brief :

1. *Speed*.—The all-India compilation of accounts for each month can be produced about a month earlier.
2. *Accuracy*.—Posting and arithmetical errors are almost eliminated.
3. *Flexibility*.—The superiority of the Hollerith to the manual system, from the point of view of flexibility, is achieved by reason of the fact that the Hollerith card and Hollerith machines are so designed as to allow of a vast amount of information being recorded in the card and only just as much of it as is required being tabulated on the machine as and when necessary.
4. *Economy*.—It is anticipated that it will be possible eventually to effect a saving of at least Rs. 1,17,000 per annum by a replacement of the manual compilation by the Mechanical one.

(b) No. The machines are still in use in the Railway Accounts.

(c) No.

(d) Two 45 column Tabulators. } Hollerith Mechanical
Two 45 column Horizontal sorters. } Accounting Machines.

As the machines are only hired and not sold by the owning company, their value is not known to Government.

(e) The hire for the Tabulators and Sorters is Rs. 1,866-10-8 and Rs. 303-3-4 respectively per mensem. The British Tabulating Company to whom these machines belong will not sell the machines.

Mr. B. Das : May I inquire, with reference to the answer to part (b) of the question, if it was not a fact that Mr. Scott who experimented with these machines in the railways had to abandon the use of those machines ?

The Honourable Sir James Grigg : The answer to part (b) of the question is :

“ No. The machines are still in use in the Railway Accounts.”

Mr. B. Das : But may I inquire from the Honourable the Railway Member if it was not a fact that it was proved before the Public Accounts Committee that the machines could not do the work and that they were abandoned ?

The Honourable Sir Joseph Bhole : I shall require notice of that question.

PROMOTION OF TWO DEPUTY ASSISTANT CONTROLLERS OF MILITARY ACCOUNTS.

794. **Mr. Jagan Nath Aggarwal :** (a) Will Government please state what the system of recruitment in the Superior Accounts Service has been in force since 1910 in the Civil and in the Military Accounts Department, the changes made therein from time to time and the reasons for the same ?

(b) If any of the vacancies in the Superior Accounts were set aside for members of the Subordinate Accounts Service, on what basis was the selection for promotion made ?

(c) Will Government please state the special qualifications of the two Deputy Assistant Controllers who have been selected for promotion recently, the duration of audit charges held by them, any important audit work done by them, their standing on the seniority list, their ages and educational qualifications ?

(d) Will Government please lay on the table a statement showing the Deputy Assistant Controllers in service at the time of the promotion of these officers who had been recommended or held eligible for selection for this service ?

The Honourable Sir James Grigg : (a) A statement giving the required information is placed on the table. Generally speaking, the changes in the system from time to time have been effected with a view to accelerate the Indianization of the department.

(b) and (c). The Honourable Member's attention is invited to my predecessor's reply to starred question No. 681 of the 11th April, 1934, I regret I am not prepared to supply any further information in this matter. I am satisfied that on the general record and attainments of the two officers, their selection for promotion was justified, and it is detrimental to the interests of service discipline that there should be further public discussion regarding it.

(d) Government are not prepared to disclose information regarding any recommendations they may receive in regard to promotions, or opinions as to eligibility therefor.

Military Accounts Department.

Methods of recruitment.—Before December, 1909 the Superior Staff of the Military Accounts Department was recruited from British officers of the Indian Army; but in that year the Secretary of State decided that it should be recruited in future solely by Civilians appointed by him in England. Since then Civilians were appointed by the Secretary of State for India at Home except on one occasion in November, 1912, when a Civilian Gazetted Officer of the Opium Department was, on the reduction of that Department, appointed in India with the approval of the Secretary of State. During the Great War it became difficult to get recruits from Home and in 1915 and 1916 six appointments were made in India with the sanction of the Secretary of State. Of these six appointments, one was filled by an officer of the B. B. and C. I. Railway and the remainder by promotion of five European gazetted officers of the non-superior service of the Department. After this there were no changes until 1920 when with a view to giving opportunities to qualified Indians for employment in the Superior Staff of the Department the Secretary of State decided that future vacancies should be filled in the following proportion :—

1|6th by promotion of Deputy Examiners,

1|3rd by direct recruitment of Indians, and

1|3 by recruitment of Europeans at Home.

In 1921 the Indian Military Requirements Committee presided over by His Excellency Lord Rawlinson recommended that recruitment in England for the superior grades of the Department should be gradually stopped and that the system prevailing in the Civil Accounts Department should be gradually introduced. This recommendation was accepted by the Government of India and in 1922 they proposed that the direct recruitment of Indians to the Superior Service of the Military Accounts Department should in future be made generally from among the successful candidates at the examination held for the recruitment of Indians for the Indian Audit and Accounts Service. The proposal was accepted by the Secretary of State in 1923 and since then vacancies in the Department are being filled by the direct appointment of Indians and by the promotion of members of the Subordinate Service in the proportion of 2 : 1 except one appointment which was filled by the transfer of an Indian Army Officer with the sanction of the Secretary of State.

The system of recruitment to the Indian Finance Department (now designated as the Indian Audit and Accounts Service) since 1909 and the reasons for the changes effected in 1920.

The system of recruitment to the Indian Finance Department from 1909—1919 was that one-half of the vacancies in the Department were filled by Indians chiefly by examination in India and the other half by the recruitment of Europeans in England.

In 1920 the system was changed because Indians recruited by competitive examination in India had proved quite satisfactory; and it was therefore decided that ordinarily recruits to this Department, i.e., by recruitment on the regular terms at the bottom of the list, should be carried out in India only. The system, which is still in force, is as follows:—

1. *Sources of recruitment.*—(a) Recruitment is made in India and is restricted to statutory natives of India. Government reserves the right of making special appointments of Europeans for special work as well as for the ordinary duties of the Department.

(b) Three posts of Accountant-General are reserved by statute for members of the Indian Civil Service and four training posts nominally belonging to Class I are filled by members of the same service. It has been decided that the obligation to employ a limited number of I. C. S. Officers in the Indian Audit and Accounts Service should be withdrawn.

2. *Method of recruitment.*—(a) Appointments are generally made on the result of a competitive examination conducted by the Public Service Commission. Rules for nomination of candidates for appearing in the examination and rules relating to the examination itself are made by the Governor General in Council in consultation with the Public Service Commission.

(b) Posts to the extent of one-fifth of the total cadre are filled by promotion of subordinates. The proportion may vary from time to time to suit administrative convenience.

3. The formula to determine the number of appointments to be made from time to time is as follows:

The number of officers to be recruited direct, that is, by examination, is:

$$C + N + \frac{1}{2}(S - C - N)$$

(C being the number of posts newly created since the 1st of August last, less the number of subordinates whose promotion is rendered possible by their creation, N the normal recruitment, and S shortage on the 1st April of the following year.)

4. Special provision for reservation of posts for minority communities.

It has been decided to reserve one-third of the total number of vacancies for members of minority communities.

EXTENSION TO THE PRESENT MILITARY ACCOUNTANT GENERAL.

795. *Mr. Jagan Nath Aggarwal: Has the present Military Accountant General been given an extension? If so, what are the grounds and services for which he has been given this concession?

The Honourable Sir James Grigg : (a) Yes.

(b) The extension was given after the fullest consideration, and in the interests of the public service.

DISCHARGE OF NINE DEPUTY ASSISTANT CONTROLLERS OF MILITARY ACCOUNTS.

796. ***Bhai Parma Nand :** (a) In answer to the starred question No. 418 of the 9th March 1934 regarding the discharge of nine Deputy Assistant Controllers of Military Accounts, it was stated that officers Nos. 8 and 9 have been retired because of definite acts of neglect of duty. Will Government please state :

- (i) whether they were held responsible because their auditors working under the supervision of the superintendents failed to detect certain irregularities in the accounts of the two units, Rest Camp, Rawalpindi and Rations Stand, Chaklala, which it is alleged the Local Audit Officers ought to have detected ;
- (ii) whether it is a fact that the original papers connected with these cases were not shown even when demanded by them, so as to enable them to recollect the exact circumstances of the case ;
- (iii) whether the explanations given by these officers were consequently altogether incomplete on the basis of which the verdict of compulsory retirement was passed by Government ;
- (iv) whether these officers were given opportunity to appear before the investigation authority to defend their cases personally if they so desired to do, as required by the Civil Service Classification, Control and Appeal Rules ; if not, why not ;
- (v) whether it is a fact that as required by the above quoted Rules no *proper* charge-sheets were framed against them detailing fully the manner in which it is alleged that these officers neglected their duty, quoting orders, rules and vouchers concerned, etc. ;
- (vi) whether in the *ordinary* letters calling for explanation there was no indication to show the particular Civil Services Rules under which the explanation was called for or the fact that failing satisfactory explanation disciplinary action laid down in these rules would be taken so as to distinguish these disciplinary cases from ordinary cases ;
- (vii) whether it is a fact that the explanations were obtained in great hurry and the time generally allowed in similar serious cases was not given and in one case the explanation was called for by return of post ; and
- (viii) whether the respects in which the explanations were found to be unsatisfactory were pointed out to these officers ; if not, why not ?

(b) Will Government please lay on the table a list of the officers who were on the investigation board with the number of the sittings of the board and the volume of the proceedings written ?

(c) Is it a fact that during the period of these cases there were no rules or instructions existing, by which the Local Audit Officers were held responsible to the extent blamed for the audit work supervised by the superintendents, of which the part disputed by the officer commanding was required to be reviewed by the Local Audit Officer himself as per Controller of Military Account's orders of 1929 or 1930 which, should please be placed on the table ?

(d) Similarly, is it not a fact that there were no rules or instructions by which the local audit was held responsible for the audit of quantities *purchased* with reference to scales and strength of the units and that this was the function of the Stores Audit Section of the Controller of Military Account's office which section has altogether been given scot-free in these cases ?

The Honourable Sir James Grigg : Sir, with your permission, I propose to deal with questions Nos. 796 and 797 together.

The attention of the Honourable Member is invited to the reply given to questions Nos. 781 to 791 by the Honourable Mr. Jagan Nath Aggarwal. The reply to part (e) of question No. 797 is in the affirmative. The differentiation in the treatment accorded to the two officers in question, and the other seven officers pensioned as inefficient, was based on the particular laxity shown by the two officers in the fraud cases referred to in the reply to questions Nos. 781 to 791.

Bhai Parma Nand : With reference to part (a) (i) of question No. 796, were these local audit officers given an opportunity to come and answer the allegations made against them and be present on the occasion ?

The Honourable Sir James Grigg : Yes ; if the Honourable Member will recollect the passage I read out from my original answer, so far as these particular instances of laxity were concerned, they were given the fullest opportunity to represent their case in accordance with the regulations of the Department.

Bhai Parma Nand : Were they given the reasons why their representations were not found to be satisfactory ?

The Honourable Sir James Grigg : They were given the fullest opportunity of defending themselves.

FRAUDS AT REST CAMP, RAWALPINDI, AND RATIONS STAND, CHAKLALA.

†797. ***Bhai Parma Nand :** (a) Will Government please state whether there was a conference held at Rawalpindi after the frauds at Rest Camp, Rawalpindi and Rations Stand, Chaklala, had been detected to determine the respective responsibilities of the auditors, superintendents and officers both in the Stores Audit section and on the Local Audit side ? If so, will Government please lay on the table a copy of the findings of this conference ?

(b) Is it not a fact that the Controller of Military Accounts, Northern Command, reported to the Military Accountant General that after careful investigation he had come to the conclusion that the frauds referred to had been committed by manipulating accounts in the units *after* the audit had been conducted ?

†For answer to this question, see answer to question No. 796.

(c) Is it not a fact that the Controller of Military Accounts, Northern Command, did not recommend the disciplinary action taken against these Local Audit Officers and no disciplinary action has been taken against other officers responsible, including the Controller of Military Accounts and the superintendents concerned? If taken, will Government please define the action taken with the names of persons concerned?

(d) Is it a fact that there were more than a dozen Army officers who were involved in these frauds and that no such disciplinary action has been taken against them? Is it also a fact that every action against them was postponed until after the result of the prosecution in Court had been seen? If so, why was action in the case of these officers delayed and why in the case of Local Audit Officers, was so immediate and drastic an action taken by Government?

(e) Is it also a fact that the Local Audit Officers referred to were not only punished by premature retirement coupled with a reduction in the ordinary pension admissible in one case but they have been deprived of the full leave due to them which has been given to other seven officers pensioned as inefficient?

(f) Is it not a fact that no reduction in pension is required to be made if the service of the officer is *on the whole* satisfactory and full qualifying amount of service has been put in? Will Government please lay on the table a list of officers of the Department whose pensions have similarly been reduced in the past and the cases in which the officers have been retired on account of neglect of duty as in these two cases?

MURREE HOSPITAL COAL FRAUD.

798. *Bhai Parma Nand : (a) Is it a fact that in the first fraud case detected after the present Military Accountant General left the Northern Command, known by the "Murree Hospital Coal fraud" the irregular issue was noticed by the Local Audit Officer but the point was dropped by the Group officer in the Controller of Military Account's office who was an European and who had been selected for the Superior Accounts Service? Why was no disciplinary action taken against this European officer?

(b) Is it not a fact that the High Court passed very adverse remarks against the Army officers in this case holding them to be chiefly responsible for the fraud, but no disciplinary action has been taken against Army officers concerned beyond expression of "severe displeasure of His Excellency the Commander-in-Chief? Was such displeasure even not recorded with the officer's documents in one case?

(c) Will Government please state why distinctions have been made between officers of the Army and the Audit Department, *i.e.*, the former have been let off with practically no punishment while the Audit officers, Nos. 8 and 9 have been severely punished for "neglect of duty"?

The Honourable Sir James Grigg : (a) Yes. No fault could be found with the officer referred to as the objection was dropped on receipt of an explanation which appeared, on the face of it, to be satisfactory from the administrative officer concerned.

(b) and (c). The High Court commented adversely on the action of one Army Officer concerned in the Murree Fraud Case. The severe displeasure of His Excellency the Commander-in-Chief was conveyed to this

officer and recorded in his documents. This is a grave measure of disciplinary action, especially in the present case where the officer had otherwise a distinguished and unblemished record as it has to be considered in connection with the officer's promotion which it may seriously affect. In regard to the other officer concerned, the High Court made no comment. Though he was found to have been sufficiently neglectful in his duty, as to have made the fraud easier, he was not held to be responsible for it, and while an expression of His Excellency's severe displeasure was intimated to him, it was not recorded in his documents. The circumstances in which the two audit officers Nos. 8 and 9 were compulsorily retired have been indicated in my reply to questions Nos. 781 to 791 by my Honourable friend, Mr. Jagan Nath Aggarwal. On the reviewing the two cases, Government are satisfied that they disclose no undue disparity of treatment.

PREVENTION OF IRREGULARITIES IN THE ARMY ACCOUNTS.

799. ***Bhai Parma Nand** : Is it not a fact that the Army Test Audit authorities working under the Auditor General have complained in connection with the Report on the Appropriation Accounts for 1932-33 that the Army officers are not infrequently blind to their own initial responsibilities and that these officers have pleaded that they had been labouring under a wrong impression that the Audit authorities alone were responsible for "prevention of irregularities" ?

The Honourable Sir James Grigg : The Honourable Member presumably refers to paragraph 11 of the Report of the Director of Army Audit on the Appropriation Accounts for 1932-33. His attention is invited to the observations on this subject of the Military Accounts Committee contained in Annexure "A" to the Report of the Public Accounts Committee, which I am presenting to the House in a few minutes time.

RAILWAY FREIGHT AGREEMENT BETWEEN THE TATA IRON AND STEEL COMPANY AND THE BENGAL NAGPUR RAILWAY.

800. ***Mr. G. Morgan** : (a) Is it a fact that there was a Railway freight agreement between the Tata Iron and Steel Company and the Bengal Nagpur Railway which terminated on the 30th June, 1933 ?

(b) Is it a fact that new and increased rates of freight came into force from 1st July, 1933 ?

(c) Will Government be pleased to lay on the table a statement showing the rates of freight in force during the agreement ending 30th June, 1933 ?

(d) Will Government be pleased to lay on the table a statement showing the rates of freight now in force under the new agreement ?

(e) Is it a fact that rebates on the current rates of freight are given to the Tata Iron and Steel Company by the Bengal-Nagpur Railway ? If so, are Government in a position to state the amount of rebate given ?

(f) Is it a fact that the extra amount of freight now payable by the Tata Iron and Steel Company since 1st July, 1933 (*vide* Tariff Board's Report on the Iron and Steel Industry, page 70, Note at foot after paragraph 122) less rebate, if any, will bring the net rates into conformity with rates in force on other commodities ?

Mr. P. R. Rau : (a) to (e). I would refer the Honourable Member to the reply I gave to Mr. Thampan's question No. 518 on the 13th August, 1934.

(f) There is no definite standard proportion between the freight rates for one commodity and those for another, and a comparison such as that suggested by my Honourable friend is not practicable.

PROMOTION TO THE PERMANENT WAY INSPECTORS' POSTS ON THE NORTH WESTERN RAILWAY.

801. ***Mr. S. G. Jog :** (a) With reference to the reply given to Mr. Piracha's question No. 354, will Government state why preferential treatment is given to the outsiders for the promotion to the P. W. Is. posts on the North Western Railway when the latter are considered also fit for this post ?

(b) Is the training given in T. (10) course in the Walton Training School given to the A. W. Is., grade I not equivalent to that given to the A. P. W. Is. ? If the reply is in the negative, why are A. W. Is., grade I considered fit to hold charge of a section ?

(c) If the reply to part (b) be in the affirmative, why are equal rights refused to A. W. Is., grade I for promotion in pay and grade, etc. ?

Mr. P. R. Rau : (a) I regret I have been unable to understand who are the outsiders referred to and what is the preferential treatment alleged.

(b) and (c). The reply to the first part is in the negative. Government are informed that A. W. Is., Grade I, are given such training as is considered sufficient to enable them to qualify to hold charge of a section as a P. W. Inspector. The courses for A. W. Is. and apprentice P. W. Is. are different as the former who are practical men with long experience are required to undergo an examination to qualify for promotion to higher posts and the latter are under training on recruitment.

RECRUITMENT OF PERMANENT WAY INSPECTORS ON THE NORTH WESTERN RAILWAY.

802. ***Mr. S. G. Jog :** (a) How many posts of P. W. Is. were likely to be vacated on the North Western Railway during 1927—1933 ?

(b) How many A. W. Is. who had passed the P. W. Is. Examination were available during that period and how many outsiders were recruited as apprentices for the P. W. Is. posts ?

(c) If sufficient number of A. W. Is., who were qualified P. W. Is., were available, why did the Railway Administration take about 80 apprentices and thus waste public money by giving them training to qualify them as P. W. Is. at Railway expense ? Did Government consider that the former class of men could come out during this period after getting proper training in the Walton Training School as is being done now ?

Mr. P. Rau : Government have no information. The appointment of the staff referred to in the question is entirely within the competence of the Agent, North Western Railway, and Government are not pre-

pared to interfere, but I have sent a copy of the question to the Agent, North Western Railway, for his information.

RECRUITMENT OF PERMANENT WAY INSPECTORS ON THE NORTH WESTERN RAILWAY.

803. ***Mr. S. G. Jog** : (a) What is the number of A. W. Is., grade I passed P. W. Is. who are available on the list of North Western Railway ? If the number is sufficient why are the apprentices allowed to continue at heavy expense to the Railway ? Could they not be discharged as per their agreement ? Have Government considered that if this class of apprentices is discharged, they can be replaced with the men now qualified in T. (II) which will save huge amount to the Railway now disbursed on these apprentices ? Are the latter qualified from any Engineering College ?

(b) Why is there a big difference in pay of A. W. I., grade I and grade II ? Is it not a fact that the latter class of men have to perform the same duties and hold the same responsibility and have little service and less experience in P. Way in comparison to the former ?

(c) Is it a fact that these apprentices were getting training under P. W. Is. grade I at the time of their officiating as P. W. I. and were given special allowance for this purpose ? If so, is it not a fact that the same apprentice becomes Incharge of the section after few years and the man under whom he got training is working as his assistant ?

(d) Do Government propose to reconsider the present system of recruitment to the posts of P. W. Is. and fix a larger percentage thereof to be filled up from amongst the old Assistant Way Inspectors ?

Mr. P. R. Rau : These questions are all within the competence of the Agent, North Western Railway, to decide, and I have sent these questions to him for consideration of the suggestion therein.

DEBT LEGISLATION IN THE MADRAS LEGISLATIVE COUNCIL.

804. ***Mr. J. Ramsay Scott** : (a) Are Government aware that in the Madras Legislative Council on Thursday, August 2, the Honourable the Law Member for Madras during the debate said :

“ Apart from the difficulties of enforcing this provision (Interest Clause) his main objection to it was that the Government of India was intending to treat this as an All-India question and contemplating legislation on this basis ” ?

(b) Is there any truth in the statement above made by the Madras Law Member ?

(c) Has the “ Debtors Protection Bill ” been withdrawn in the Madras Council in consequence of the above statement by the Law Member ?

The Honourable Sir Nripendra Sircar : (a) The Government of India have been informed by the Government of Madras that the actual words used by the Madras Law Member were as follows :

“ The Government of India have intimated to us that they are taking up the question which is covered by this clause as an Indian question applicable to all the provinces and that they are contemplating legislation. Therefore we are unable to approve of this clause. ”

(b) The Law Member's statement correctly reproduced the substance of an intimation conveyed to the Local Government at a time when the initiation of All-India legislation on the subject was under the active consideration of the Government of India. The position has since been changed as the result of the relevant conclusions reached by the Provincial Economic Conference for a statement of which the Honourable Member is referred to paragraph 5 of the Resolution of the Government of India in the Finance Department No. F.16-1-F.34, dated the 5th May, 1934.

(c) No. In the course of the consideration stage the Council carried an amendment moved by Government for the omission of the relevant clause and the third reading of the Bill was postponed to the next session which commences on the 22nd October.

DEBT LEGISLATION IN THE UNITED PROVINCES LEGISLATIVE COUNCIL.

805. *Mr. J. Ramsay Scott : (a) Will Government please state what Bill or Bills have been passed, or will be, before the September Session of the United Provinces Legislative Council relating to "Rural Indebtedness" ?

(b) Are there any Bills before His Excellency the Governor General for consent ?

(c) Are Government prepared to examine all such Bills to see that the economic stability of the country is not seriously disturbed ?

The Honourable Sir Nripendra Sircar : (a) Unless the Honourable Member classes the Bill enacted as the Agriculturists Loans (United Provinces Amendment) Act, 1934, as a Bill relating to rural indebtedness, no such Bill has been passed by the United Provinces Legislative Council. The Government of India understand that, if previous sanction is granted by the Governor General, the United Provinces Government may decide to proceed with a United Provinces Encumbered Estates Bill, a United Provinces Temporary Regulation of Execution Bill, a Usurious Loans (United Provinces Amendment) Bill and a United Provinces Regulation of Sales Bill at the September session of the Provincial Legislative Council.

(b) If, by consent, the Honourable Member means previous sanction, the answer is in the affirmative.

(c) Government are prepared to, and do, examine all Bills submitted for the previous sanction or for the assent of the Governor General from this and all other relevant points of view.

ESTABLISHMENT OF LAND MORTGAGE BANKS.

806. *Mr. J. Ramsay Scott : (a) Will Government please make a statement of their action with regard to Land Mortgage Banks, as promised by the Honourable the Finance Member on August 6, when answering a supplementary question to question No. 377 ?

(b) Will Government please state what progress has been made and outline their plan of action for the near future ?

The Honourable Sir James Grigg : Sir, the promise which I gave on the 6th instant, in answer to a supplementary question to question No. 377, referred not to Land Mortgage Banks but to the Rural Credit

Department of the Reserve Bank. The scope and functions of the Agricultural Credit Department must be left to the decision of the authorities of the Bank, but a preliminary enquiry into some aspects of the question is being undertaken by Mr. M. L. Darling, C.I.E., I.C.S., who has been placed on special duty under the Finance Department.

Dr. Ziauddin Ahmad : Is the inquiry going to be limited to rural credit or it will be extended to land mortgage bank questions as well ?

The Honourable Sir James Grigg : I should have thought that land mortgage banks and rural credit were inextricably bound up together.

MARKETING OF FRUITS.

807. ***Mr. G. Morgan :** (a) Will Government please state whether Mr. Livingstone, the Marketing Expert, is preparing any scheme for the marketing of fruit ?

(b) Are Government aware that the competition of imported fruit is proving a menace to the fruit-growers in India ?

(c) Are Government aware that Railway freights and higher parcel post rates are hampering the indigenous fruit trade ?

(d) Do Government propose to inquire into these matters with a view to helping fruit-growers in India to obtain markets for their produce ?

Mr. G. S. Bajpai : (a) Yes.

(b) Government have no figures showing the amount of fruit produced in India, and are, therefore, unable to say how the fruit growers in India have been affected by the import of foreign fruit. Statistics show, however, that the imports of fruit were less in 1933-34 than in the two preceding years.

(c) The rates for fruit carried by passenger trains are half the ordinary rates for parcels traffic. Several of the principal Railways are also quoting special rates substantially below the half parcel rates for the carriage of fruit in wagon loads, and have under consideration proposals for further reductions. As the Honourable Member is probably aware, parcel rates have been increased, since 14th June, 1931, only for parcels exceeding 20 tolas and upto 440 tolas. Government have no reason to believe that these higher rates are hampering the indigenous fruit trade.

(d) This will be one of the matters to be examined by the marketing organisation proposed by the Imperial Council of Agricultural Research.

Mr. G. Morgan : Is it a fact that fruit transport from Kulu has to go through the Mandi State ?

Mr. G. S. Bajpai : I am afraid I could not say whether fruit coming from Kulu has to go through the Mandi State.

Dr. Ziauddin Ahmad : What was the reply to part (a) about the scheme for the marketing of fruit ?

Mr. G. S. Bajpai : I said, Sir, that they have already prepared a scheme, but it has to go to the Standing Finance Committee.

Dr. Ziauddin Ahmad : Will it be laid on the table, and will it be open to Members to examine it ?

Mr. G. S. Bajpai : We will consider that suggestion.

Mr. Jagan Nath Aggarwal : Is the Honourable Member aware that the import of foreign fruit has been making considerable progress in this country at the expense of Kulu and other places where fruit is grown in India ?

Mr. G. S. Bajpai : Well, Sir, I have just answered that question and said that statistics showed that the value of fruit imported into India during the year 1933-34 was less than in 1931-32 and 1932-33.

Mr. Jagan Nath Aggarwal : The imports in 1932-33 were several times more than those of the previous year ? Is that so ?

Mr. G. S. Bajpai : The imports in 1932-33 were certainly not higher than in 1930-31.

APPOINTMENT OF AN INDIAN WOMAN ON THE ADVISORY COMMITTEE OF THE LEAGUE OF NATIONS FOR THE PROTECTION AND WELFARE OF CHILDREN.

808. ***Sir Hari Singh Gour :** (a) Is it a fact that three Indian Women's Organisations (the all-India Women's Conference, the Women's Indian Association and the National Council of Women in India) had moved the League of Nations to appoint a woman on the advisory committee for the protection and welfare of children and young people, and that upon their request the League decided to appoint one such woman ?

(b) If the reply to part (a) be in the affirmative, did Government consult any of the all-India Women's Organisations on the choice of a suitable Indian representative ? If not, why not ?

(c) Is it a fact that the all-India Women's Conference, the Women's Indian Association and the National Council of Women in India sent in a panel of names with a request that one of them should be sent to represent them ? If so, what action did Government take in response to this request ?

(d) Is it a fact that the representative chosen by Government was not one of those so recommended and no organisation of the Women in India was even consulted before making the appointment ?

(e) Will Government please state whether the delegate chosen by them was to represent the Government or the women of India ?

The Honourable Sir Henry Craik : (a) The position is not quite as stated by the Honourable Member. A delegation from the Indian Women's Organisation which was received last year by the President of the Council of the League of Nations drew his attention to the interest taken by Indian women in the League's social work and their anxiety to take an effective part in it. Subsequently, the League invited the Government of India to appoint a delegate to represent that Government on the Advisory Commission for the Protection and Welfare of Children and Young People, the object of the invitation being to include national groups not represented and to strengthen the representation of extra-European countries. There was no suggestion by the League that the representative of the Government of India should be a woman. The Government of India, however, thought it desirable that they should be represented by a woman.

(b) Does not arise.

(c) The answer to the first part is in the affirmative. As regards the second part, the names submitted were duly taken into consideration in making a choice of a representative.

(d) Yes.

(e) The invitation was to appoint a delegate to represent the Government of India, not the women of India.

Sir Hari Singh Gour : What were the special qualifications that the Government of India thought necessary for the representative to the League of Nations ?

The Honourable Sir Henry Craik : Does the Honourable Member mean what were the special qualifications of the delegate selected ?

Sir Hari Singh Gour : Yes.

The Honourable Sir Henry Craik : The delegate selected is the Chairman of the Madras Presidency Maternity and Child Welfare Association. She is also a member of the Syndicate of the University of Madras and a member of her local District Board. She went to London as a delegate to the Round Table Conference in 1930 and 1931, and she was a Member of the Round Table Conference Franchise Committee. She is believed to be deeply interested in the welfare of women and children.

Sir Hari Singh Gour : Do I understand that the Government of India considered the names of the persons submitted by the three women's organisations and did not consider any of the members recommended by the organisation as suitable for representation ?

The Honourable Sir Henry Craik : The names of the panel recommended by the women's organisations were considered, but the delegate selected was thought to be more suitable than any of the names on the panel.

AUDIT OF THE ACCOUNTS OF THE SHAHDARA NOTIFIED AREA COMMITTEE.

809. ***Mr. Bhuput Sing :** (a) Is it a fact that the Secretary, Notified Area Committee, Delhi, Shahdara, was granted two years' leave ?

(b) Is it also a fact that after a week the President accepted the Secretary's resignation ?

(c) Is it a fact that he has been settled up within two days and the President is satisfied with the accounts and has duly taken over the charge ?

(d) Do Government propose to get the Committee's accounts audited in the interest of the public ?

Mr. G. S. Bajpai : Information has been called for and will be laid on the table in due course.

Mr. Gaya Prasad Singh : Is it a fact that a European gentleman is going to be appointed as Secretary of this Committee ?

Mr. G. S. Bajpai : I have no information, Sir, about that.

GRIEVANCES OF THE HINDU PUBLIC OF SHAHDARA.

810. ***Mr. Bhuput Singh** : (a) Will Government kindly state if Mr. Waugh, President, Notified Area Committee, Delhi, Shahdara, was asked to resign his post, or he voluntarily submitted his resignation ?

(b) Do Government contemplate reinstating him in his former post after some time ?

(c) Are Government aware that the grievances of the Hindu public of Shahdara have not yet been redressed, as one of their chief demand of returning the stray cows and bulls possessed by Mr. Waugh has not yet been acceded to ?

The Honourable Sir Henry Craik : (a) I would refer the Honourable Member to the reply given by me on the 31st July to part (c) of Pandit Satyendra Nath Sen's question No. 311 on the same point.

(b) No.

(c) The stray cattle referred to are ownerless and have done much damage to crops in the villages in the Shahdara locality where they have been wandering about for years past. If they are released, it is certain they will again do considerable damage.

RECRUITMENT IN RAILWAY ACCOUNTS OFFICES.

811. ***Sardar Sant Singh** : (a) Is it a fact that while heads of offices subordinate to the Auditor General can ordinarily recruit men from the province in which the respective offices are situated, there is no similar rule for Railway accounts offices ?

(b) If the reply to part (a) be in the affirmative, will Government please state :

(i) why the principle underlying the restriction mentioned above, which is considered to be equitable for civil accounts offices, has not been applied to the Railway accounts offices, and

(ii) whether they now propose to lay down that recruitment in Railway accounts offices should be confined to the provinces through which the respective Railways pass ?

Mr. P. R. Rau : Government have not hitherto laid down any restrictions on a territorial basis for recruitment to railway service and see no reason to do so.

RECRUITMENT OF THE CHIEF INSPECTOR OF EXPLOSIVES.

812. ***Mr. Bhuput Singh** : (a) Is it a fact that the post of Chief Inspector of Explosives, has been advertised in England ? If so, what are the reasons therefor ?

(b) Will Government please state the qualifications and experience required for the post of Chief Inspector of Explosives ?

(c) Will Government please state the present number of Inspectors of Explosives and their periods of service ? Were they recruited through the Public Service Commission or through any other selection board ?

(d) Does any of the Inspectors of Explosives possess foreign qualifications in chemistry and training in explosives and petroleum technology ?

(e) Are there no officers in the Explosives Department with the requisite qualifications and experience, from whom a selection for the post of Chief Inspector of Explosives could be made ?

(f) Will Government please state the technical *experience* in explosives and petroleum technology of the *last incumbent* of the post of Chief Inspector of Explosives ?

(g) Are Government satisfied that none of the Inspectors had the experience in explosives and petroleum technology, which were possessed by the last incumbent of the post of Chief Inspector of Explosives, who was recruited from outside the Department ?

(h) Is it a fact that one of the recommendations of the Retrenchment Committee was that " when the present Chief Inspector of Explosives retires by super-annuation in May, 1932, one of the Inspectors should be sent abroad for further training and, if suitable, appointed to the post " ? What action, if any, have Government taken in the matter, or propose to take in the matter in view of the existing vacancy ?

The Honourable Sir Frank Noyce : (a), (e) and (g). Yes. The post was advertised in England on the advice of the Public Service Commission as it was considered that no one sufficiently qualified for the post was available in India.

(b) No qualifications are laid down, but Government consider that experience in the manufacture and storage of explosives, chemical training of a specialized kind, and capacity to advise on the form of technical rules relating to explosives and (if possible) to petroleum, and to administer the Explosives Department are necessary. The duties of the post involve a considerable amount of touring and close relations with large commercial interests, and a man of tact and physical energy is required.

(c) Four, two of whom were brought on to the permanent cadre as recently as March last. Their periods of service range from three years and four months to ten years and eight months. Of the four Inspectors, one only was recruited with the assistance of a specially constituted selection committee. I may, however, add that recruitment through the Public Service Commission is now compulsory.

(d) Two possess foreign qualifications in chemistry. Two had training in explosives before entering the Department. All officers in the Department naturally acquire a working knowledge of petroleum. One of them has undergone a practical course of training in England.

(f) The last incumbent of the post of Chief Inspector had four years' experience in the Government Chemist's Laboratory in England, followed by ten months in the Chemical Warfare Department, King's College, London. He was Assistant Works Manager in the Cordite Factory, Aruvankadu, from March 1929 until he joined the Department in September 1932.

(h) The reply to the first part of this question is in the affirmative. Government have not been able to accept this recommendation for the present and have already selected a candidate from outside the Department to fill the vacancy.

Mr. Gaya Prasad Singh : With regard to the answer to part (a) of the question, may I know the reasons which were assigned by the

Public Service Commission in recommending that the advertisement should be made in England only and not in this country ?

The Honourable Sir Frank Noyce : The reason was that the Public Service Commission was of opinion that no one sufficiently qualified for the post was available in India.

Mr. Gaya Prasad Singh : What steps did the Public Service Commission take to find out whether suitable candidates were available in India or not ?

The Honourable Sir Frank Noyce : The Public Service Commission reported that they had very great experience of the candidates applying for chemical posts and that, in their view it was no use advertising the appointment in this country as none of those applications showed possessive of the qualifications necessary for this particular appointment.

Mr. Gaya Prasad Singh : What harm would have ensued if the advertisement had been made in India, and may I know what special qualifications the members of the Public Service Commission had in the matter of explosives ? (*Some Honourable Members :* "Hear, hear".)

The Honourable Sir Frank Noyce : I think that if my Honourable friend calls to mind the personnel of the Public Service Commission, he will realise that the Chairman of that Commission has considerable experience in matters of this kind.

Sardar Sant Singh : Did not the Public Service Commission look for one in the detenu camp at Deoli ?

The Honourable Sir Frank Noyce : I am sorry I did not catch the Honourable Member's question.

Mr. S. C. Mitra : Is it not a fact that he has no knowledge of Chemistry and he is not a Doctor of Science, and that he was merely a Police Officer ?

The Honourable Sir Frank Noyce : But he knows a great deal about explosives.

Mr. S. C. Mitra : How ? Does the Honourable Member mean, when he says that the Chairman of the Public Service Commission is an expert in chemical explosives, merely from the fact that he was a Police Officer and that he derived all knowledge from police cases and no study of the Chemical Science is necessary at all ?

The Honourable Sir Frank Noyce : Obviously, Sir, it would be no use appointing to a post of this character any one who has not got a special knowledge of explosives.

Mr. S. C. Mitra : Does the Honourable Member seriously contend that a Police Officer has all information about chemical analysis of explosives, merely because he was a Police Officer ?

The Honourable Sir Frank Noyce : No, but I do contend that the Chairman of the Public Service Commission is in a special position to judge the qualifications of candidates.....

Mr. S. C. Mitra : On chemistry and explosives ?

The Honourable Sir Frank Noyce : No, but in regard to knowledge of explosives. That is the real point. He knows perfectly well the field for selection of candidates with special knowledge of explosives.

Mr. Vidya Sagar Pandya : May I enquire whether the advertisement was inserted in any papers in other countries in Europe and in America, or is it the monopoly of England to send such experts to this country ?

The Honourable Sir Frank Noyce : As far as I know, the appointment was advertised in England only.

Mr. K. C. Neogy : The Honourable Member stated that the Chairman of the Public Service Commission is quite competent to judge of the qualifications of candidates. But did the Public Service Commission have any opportunity to judge of the qualifications of any candidates for this appointment before they gave their opinion ?

The Honourable Sir Frank Noyce : I can only repeat that the Public Service Commission reported that in their view it would be mere waste of time to advertise this appointment in India. I have nothing to add to that.

Mr. K. C. Neogy : That is to say, they went upon their general information about people in India who might be supposed to possess such qualifications ? Is that what it comes to ?

The Honourable Sir Frank Noyce : Exactly.

Mr. K. C. Neogy : May I take it that they had no definite information before them as to whether there were any Indians with suitable qualifications when they gave that opinion ?

The Honourable Sir Frank Noyce : I can only say that they had knowledge of the qualifications required for this appointment, and that they had a very wide knowledge of the range of candidates likely to be suitable for it.

Mr. K. C. Neogy : Does the Honourable Member know that, of the present Inspectors, at least one already possessed foreign qualifications before he was chosen by the Selection Committee to which the Honourable Member has referred, and that after such selection that officer was sent to England at Government expense to specialise in all matters relating to explosives ?

The Honourable Sir Frank Noyce : I need hardly say that the qualifications of the officers at present in the Department were carefully considered before it was decided to obtain an officer from outside the Department.

Mr. K. C. Neogy : That is not the answer to my question. I would like my Honourable friend to tell me whether it is not a fact that one of the Inspectors, I believe he is the seniormost Inspector now, who was selected by the Selection Committee—I may tell my Honourable friend that I was a member of that special Selection Committee—was sent to England at Government expense for special training in explosives ?

The Honourable Sir Frank Noyce : That, I think, is true except that it is not the case that he is the seniormost Inspector in the Department.

Mr. K. C. Neogy : It may be he is the next seniormost. But is it not a fact that the question about the physical capacity of the officer, who was to undertake tours throughout India, also taken into account by the Selection Committee when they made the particular selection ?

The Honourable Sir Frank Noyce : I can only say once more that this is a matter which has to be decided by Government after due consideration of the claims of all officers in the Department and that it was so decided. In the opinion of Government, no officer at present in the department was sufficiently well qualified to hold the post of Chief Inspector of Explosives. I may mention for the information of the House that the candidate, who has been appointed Chief Inspector, has been appointed on a five year contract, and it may be that, at the end of that time, an officer in the Department, in the opinion of the Government of the time, may be considered sufficiently well qualified to hold the post. That is a question which can only be decided in course of time.

Mr. K. C. Neogy : My last question related to the physical capacity to which my Honourable friend referred as one of the qualifications looked for. I want to know from my Honourable friend as to whether he is in a position to say that that was not one of the qualifications looked for in the candidate who had to be selected by the special Selection Committee.

The Honourable Sir Frank Noyce : Physical capacity is only one of the many qualifications that are required.

Mr. K. C. Neogy : My Honourable friend referred to that subject.

The Honourable Sir Frank Noyce : Naturally I referred to all the qualifications of which physical capacity is only one, and I may say, certainly not the most important, thought it is a very desirable one.

Mr. S. C. Mitra : Will the Honourable Member please explain how the Public Service Commission was in a position to know that in the whole of India there are no qualified men to occupy this post without due advertisement here in India ?

The Honourable Sir Frank Noyce : I have nothing to add to the answer I have already given on that point. I am obviously not in a position to discuss the qualifications of the Public Service Commission.

Mr. S. C. Mitra : The Honourable Member has not understood my question. I should like the Honourable Member to explain to the House how the Public Service Commission was in a position to say that in the whole of India there is not a single qualified man to occupy this post without due advertisement in India or without trying in any way to ascertain whether there are qualified men here.

Mr. K. C. Neogy : The Chairman is a policeman. Therefore, he is expected to know.

The Honourable Sir Frank Noyce : I have nothing to add to the reply I have already given.

Sir Oowasji Jehangir : May I ask one question ? Supposing there is no suitable candidate in India, may I know why the Government have turned down the Retrenchment Committee's recommendation of

sending men for training in this line? If the Government think, and I take it that it is correct, that there is nobody in India, then I should think it was a very good argument for accepting the Retrenchment Committee's recommendation for the next appointment, five years hence.

The Honourable Sir Frank Noyce : That is a point which will doubtless be most carefully considered five years hence. It was not worth while sending a candidate home at this juncture for training when it was not intended to appoint him in this vacancy. When the next vacancy occurs, the point raised by my Honourable friend will doubtless receive the most careful consideration.

Sir Cowasji Jehangir : In other Departments, when Government send men to England for education, they are not supposed to take the post at the top of the tree. They get their training in England, come back and serve at the bottom or somewhere in the middle, till they are fit to come to the top. So the time is ripe for somebody to go to England for training in this line so as to enable him five years hence to have a chance of getting this post.

The Honourable Sir Frank Noyce : That is a point which I shall certainly consider.

Mr. B. R. Puri : What is the salary of this post, please?

The Honourable Sir Frank Noyce : I may mention for the information of the Honourable Member and of the House that one recommendation of the Retrenchment Committee has at any rate been accepted. The salary of this post up to the present has been Rs. 1,450—50—2,000. The new candidate has been recruited on the reduced scale of pay which will apply to the future incumbents of the post recruited from outside the Department, namely, Rs. 1,300.

Mr. B. R. Puri : What are the scientific qualifications which are absolutely essential for a job of this kind?

The Honourable Sir Frank Noyce : I mentioned them in my reply to the question.

Mr. K. C. Neogy : How many of the present Inspectors of Explosives were sent abroad at Government expense for special training in Chemistry relating to explosives?

The Honourable Sir Frank Noyce : I should like to have notice of that question. My Honourable friend has referred to one at least.

Mr. K. C. Neogy : Will the Honourable Member look into his papers and tell this House as to whether it is not a fact that the reason why that particular candidate, to whom I referred and in the selection of whom I had some hand, was sent abroad for special training, in spite of the fact that he possessed first class chemical qualifications both in India and in England already, was that when the occasion arose he could take the place of the Chief Inspector of Explosives?

The Honourable Sir Frank Noyce : I am not certain about that. In any case, I have already said that the present appointment is being made on a five years' contract basis, and his claims to the post will be duly considered when the time comes. I would mention that he has at present only eight years' service.

Mr. H. C. Neogy : Will the physical capacity of this officer improve after five years ?

The Honourable Sir Frank Noyce : I do not know why my Honourable friend is harping on physical capacity.

Mr. K. C. Neogy : The Honourable Member referred to it. I did not.

The Honourable Sir Frank Noyce : I mentioned it as one only of the qualifications required. As I have already stated, I do not regard it as the most important qualification. Obviously scientific knowledge and ability to administer the Department are of even greater importance.

IMPORTS OF STANDARD CUT-PIECES FROM JAPAN.

813. ***Lala Rameshwar Prasad Bagla :** (a) Will Government please state if they have received any representation as to excessive imports of standard cut-pieces from Japan ? If so, from whom ?

(b) Will Government be also pleased to state the total yardage of standard cut-pieces so far imported from Japan ?

(c) Do Government propose to take steps to restrict the excessive imports of standard cut-pieces from Japan ?

The Honourable Sir Joseph Bhoré : (a) and (c). The Honourable Member is referred to my reply to question No. 413, by Mr. B. Das on the subject.

(b) Presumably by standard cut-pieces the Honourable Member means *bona fide* remnants not exceeding four yards in length as defined in the Indian Tariff (Textile Protection) Amendment Act, 1934. Imports of such goods into India from Japan during May and June, 1934, amounted to 4,801,379 yards. Imports of cut-pieces of four yards and below were not recorded separately prior to May, 1934.

INDIANS EMPLOYED AS POLITICAL AGENTS OR RESIDENTS OF INDIAN STATES.

814. ***Lala Rameshwar Prasad Bagla :** Will Government be pleased to state the number of Indians employed during each of the previous five years, separately, as Political Agents or Residents of Indian States within their own jurisdiction ?

Mr. H. A. F. Metcalfe : No Indian officer has been appointed as Political Agent or Resident in Indian States during the last five years. So far there has been no officer in the Political Department of requisite seniority and experience, except one who has been employed as Administrator, Nabha, since 1932.

DISPOSAL OF LAND ATTACHED TO THE PUSA AGRICULTURAL INSTITUTE.

815. ***Mr. Gaya Prasad Singh :** (a) Is it a fact that the Pusa Estate comprised of Khas-Mahal lands of the Government of Bengal, Bihar and Orissa before partition, and the Estate was, under their instructions, transferred to the Inspector General of Agriculture in India in 1902-03, by the District Magistrate and Collector of Durbhanga, for the establishment of the Pusa Agricultural Institute ?

(b) Will Government kindly lay on the table a copy of this deed of transfer, or any other instrument, by virtue of which they claim ownership over the lands ?

(c) Is it a fact that the lands comprising the Pusa Estate was transferred to the Government of India by the then Local Government of Bengal, Bihar and Orissa, on certain conditions ? If so, what are those conditions ?

(d) Is it a fact that the then Government of Bengal, Bihar and Orissa, paid an annual subsidy for the upkeep of the Institute of Pusa for a number of years ? If so, what was the total amount subsidised ?

(e) In the event of the Institute being transferred from Pusa, do Government propose to restore the lands to the original donor ?

(f) Is it a fact that the Government of India propose to sell the Estate to private individuals ? Can they produce the instrument or deed to support their claim ?

Mr. G. S. Bajpai : (a) The Pusa Estate consists of about 1,617 acres, of which roughly 1,340 acres are held under a permanent lease and were transferred by the Government of Bengal in 1903, and 277 acres were acquired by the Government of India under the Land Acquisition Act.

(b) There is no deed of transfer.

(c) No.

(d) An annual subsidy of Rs. 50,000 was promised by the Government of Bengal but never paid.

(e) and (f). The lands will be disposed of in accordance with the rules regulating the transfer of State lands set out in the Finance Department Resolution No. D.3428-A., dated the 10th December, 1925, and letter No. D.3009-A., dated the 28th October, 1929, copies of which have been placed in the Library of the House.

Mr. B. Das : With reference to the reply to part (f), in the eventuality of the transfer of the Pusa Institute to Delhi, will not the Government of India consider the transfer of part of the farm and the Research Institute to the Government of Bihar and Orissa ?

Mr. G. S. Bajpai : The Government of India have already asked the Government of Bihar and Orissa to submit suggestions as regards the disposal of land in the event of transfer.

Mr. Gaya Prasad Singh : Will Government consider the desirability of at least retaining some section of the Agricultural Institute at Pusa, such as botanical or horticulture or whatever it may be, even if the transfer of the other sections of the Institute may be eventually decided upon ?

Mr. G. S. Bajpai : I am answering that point in a separate question later on.

Mr. B. Das : In case the Government of Bihar and Orissa ask the Government of India to transfer to them a portion of the farm and Research Institute, will the Government of India make a present of it to the Government of Bihar and Orissa, or will they ask for payment ?

Mr. G. S. Bajpai : I am afraid I cannot anticipate what will be the terms upon which the Government of India will be prepared to give the lands or any part thereof to the Government of Bihar.

Mr. B. Das : Is it not fair that stricken Bihar should get it as a present from the Government of India ?

Mr. G. S. Bajpai : It might be all right from the point of view of the Government of Bihar, but the tax-payers in the rest of India have also got to be considered.

TRANSFER OF THE RESEARCH INSTITUTE FROM PUSA TO DELHI.

816. ***Mr. Gaya Prasad Singh :** (a) With reference to the following opinion of the Royal Commission of Agriculture, regarding the Pusa Institute, will Government kindly lay on the table, the opinions of the Directors of Agriculture of Provinces, who have supported the proposed transfer of the Institute from Pusa to Delhi :

“ The climate is good, and the soil fertile, and well-suited to growing most of the important Indian crops. A District chosen by man with a good eye for country, such as the early Dutch and English planters, is not lightly to be abandoned ” ?

(b) Do Government propose to consider the scheme of retaining the Institute at Pusa, and establishing agricultural sub-stations at suitable centres in the country, as recommended by the Royal Commission of Agriculture ? If not, why not ?

(c) Have Government given a chance to the Public Works Department of the Government of Bihar and Orissa to examine the extent of damage done to the buildings at Pusa by the earthquake and the cost of repairs ? If so, with what result ?

Mr. G. S. Bajpai : (a) The Directors of Agriculture discussed the question with the Vice-Chairman of the Imperial Council of Agricultural Research who conveyed their views to Government. The discussion was not recorded in writing.

(b) The Honourable Member is already aware that Government propose to remove the main Institute from Pusa. The question whether a Botanical sub-station should be retained there is under consideration.

(c) Government were informed that, owing to the extensive damage in North Bihar the Public Works Department officers of the Local Government could not conveniently be spared to examine the damage done at Pusa for some time. The task was, therefore, entrusted to the Central Public Works Department.

Mr. Gaya Prasad Singh : May I know if the Government of Bihar and Orissa informed the Government of India that the Public Works Department officers of the Local Government were not in a position to examine the damage done to this Institute by the earthquake ?

Mr. G. S. Bajpai : I am informed that at the time when the Government of India first wished to have the damage at Pusa assessed, the Public Works Department of Bihar and Orissa, through the Chief Engineer presumably, informed the Government of India in the Central Public Works Department that it would be more convenient to them if somebody were sent down from Delhi.

Maulvi Muhammad Shafee Daoodi : So I take it that there is no authoritative report on the question of the damage done to the building ?

Mr. G. S. Bajpai : I do not see how that arises from my answer. There is no doubt a very authoritative report on the extent of the damage.

Maulvi Muhammad Shafee Daoodi : And what is that report ?

Mr. G. S. Bajpai : The report is an authoritative report.

Mr. Gaya Prasad Singh : Are you in a position to place it on the table, or at least to make it available to such Members of the House as desire to see it, if you are unwilling to place it on the table for all to see it ?

Mr. G. S. Bajpai : I have no objection whatsoever to making the report of the Public Works Department Chief Engineer available for inspection by any Member of this House who is interested in the question.

Maulvi Muhammad Shafee Daoodi : Why has it not been laid on the table up till now ?

Mr. G. S. Bajpai : I do not remember a single request so far made in this House that a copy of the report of the Chief Engineer should be laid on the table of the House. My Honourable friend, who is a Member of the Standing Finance Committee, made a request that I should obtain from the Engineer a statement of the damage done to the building. I undertook to supply that information, and my Honourable friend may rest assured that he will get it.

Mr. K. P. Thampan : May I know whether Government has considered the desirability of shifting this Institute to Coimbatore ?

Mr. G. S. Bajpai : Sir, if Government had considered the wishes of Members from all parts of India, then there would not be one institute but the *disjecta membra* of it scattered all over India.

Mr. Gaya Prasad Singh : In view of the fact that Coimbatore is situated at one extremity of the Indian Peninsula, do Government propose to bring that institution also to a site near Delhi ? (Laughter.)

Mr. G. S. Bajpai : No, Sir, the reason being that there is an essential difference between fundamental research such as that done at Pusa and field research, which is done by means of field stations, of which Coimbatore is one.

Mr. K. P. Thampan : May I ask whether it is not a fact that the principle involved in selecting a site for establishing such an institute is the natural conditions and facilities for carrying on researches and experiments obtained at the site selected rather than the institute being at a central place ? According to the latter consideration, a place somewhere near Nagpur ought to be selected.

Mr. G. S. Bajpai : My friend is raising a point which would have been better raised if this Resolution had been discussed on the last occasion. My point is that there is no part of India of which it can be said that it is typical of the agricultural conditions of the sub-continent of India as a whole. One has to make a distinction between an investigation into the soil and climatic conditions, which is done by means of field stations such as those which exist at Coimbatore and Karnal, and fundamental research, for which it is not necessary really to locate such an institute at a place in the geographical centre of India but anywhere that normal climatic conditions are suitable.

Mr. Gaya Prasad Singh : Do the Government propose to send the Karnal Institute to Pusa in that event ?

Mr. G. S. Bajpai : I have already said, Sir, that what exists at Karnal is a botanical sub-station, and the question, in the event of the institute being moved up to Delhi, of the botanical sub-station at Karnal being amalgamated with the Institute at Delhi and of the existing botanical station at Pusa being continued on the present footing is under consideration.

TRANSFER OF THE RESEARCH INSTITUTE FROM PUSA TO DELHI.

817. ***Mr. Gaya Prasad Singh :** (a) Are Government aware that in the area near Delhi, which is going to be acquired for the location of the Agricultural Institute on its transfer from Pusa, the water of the wells (as stated in the petition filed by the villagers in the Court of the Collector, or Deputy Commissioner, Delhi) "is extremely saltish, and unpalatable for taste. Its drinking is not conducive to health, and its use for agricultural purposes is sure to cause disappointment" ?

(b) Has the attention of Government been drawn to the fact that "the soil of the village is not fitted for the purpose for which village lands are being acquired. It is neither fertile nor productive", and "can very well be tested by a scientific examination of the soil" ?

(c) Is it a fact that "the area of the village consists of low lands, which, for the most part of the year, especially during the rainy season, remain under water and are rendered unfit for cultivation", and that the climate is "damp and malarial", and "unsuited to health" ?

(d) Is it a fact that last year land revenue of villages Gheora, and Tikli Kalan had to be wholly and partially remitted, respectively, on account of the sufferings due to heavy flood, and that the Deputy Commissioner of Delhi had to reconnoitre the area on an aeroplane ?

(e) Is it a fact that in the area which is sought to be acquired, "Tikli Kalan is purely a Hindu village. It contains two old and ancient temples", that "the temples have attached to them dohli lands, which according to law and custom is inalienable", and that "the acquisition of these dohli lands would entail injury to the feelings and religious susceptibilities" of the people concerned ?

(f) Have Government made any enquiry into the above allegations ? If so, when, and by whom ? Were the villagers given any opportunity of being present, to state their case ?

(g) Can a copy of the enquiry report be laid on the table ?

(h) Is it a fact that the Secretary Gramrakshni Sabha, Delhi, has recently written to Mr. Burt, Agricultural Expert, stating that the water of the wells is "heavy and saltish"; that the fields that were watered by those wells have become barren, and they are producing nothing but sand"; and inviting Mr. Burt to hold a scientific examination by boring into the soil ?

Mr. G. S. Bajpai : (a) Government have not seen the petition referred to by the Honourable Member. They, however, took the necessary precaution of having the water in the area intended for acquisition analysed and have satisfied themselves that the requirement of the Institute in respect of water for irrigation and drinking can be adequately met from the canal and from tube-wells.

(b) and (c). No. On the other hand the climate and soil of the area are good and suitable for an even greater range of crops than Pusa. Its partial flooding, during the recent severe floods, was due to the neglect of the Najafgarh drain and its tributaries. The question of repairing and cleaning these is now under consideration.

(d) Information is being obtained and will be furnished as soon as possible.

(e) So far as Government are aware, one temple is included in the land preliminarily notified for acquisition. Every endeavour will be made to exclude this from the area that may ultimately be acquired.

(f) I would refer the Honourable Member to the answers I have given to parts (a)—(c) and (e). It is the intention of Government that the officers concerned with acquisition should work in close touch with the villagers.

(g) There is no enquiry report.

(h) Yes. I have already stated that water and soil analyses were made before the preliminary notification was issued.

Mr. Gaya Prasad Singh : With reference to the answer which the Honourable Member has just now given in part (g) that there was no inquiry made and that the Government have satisfied themselves as regards the nature of the water, and so on, I presume the report must have been submitted to the Government by the officer who held the inquiry. Can that copy of the report be made available to us ?

Mr. G. S. Bajpai : Reading the question as a whole, Sir, I thought my Honourable friend was referring to a sort of general inquiry made as regards the various allegations which are said to have been made by the villagers. If he is really referring only to the results of the analysis of soil and water, I shall certainly endeavour to obtain the report and make it available to my Honourable friend.

TRANSFER OF THE RESEARCH INSTITUTE FROM PUSA TO DELHI.

818. ***Mr. Gaya Prasad Singh :** Will Government kindly lay on the table the scheme prepared by the Director of the Pusa Agricultural Institute, in regard to its transfer to the neighbourhood of Delhi, and referred to by the Honourable Sir Fazl-i-Husain in the Council of State, in the course of the debate on the adjournment motion in this connection ?

Mr. G. S. Bajpai : The 'Scheme' referred to by the Honourable Member is a departmental note which, in accordance with the accepted procedure, must be treated as confidential and cannot, therefore, be laid on the table of the House. The substance of the note has been incorporated in the memorandum laid before the Standing Finance Committee, a copy of which has already been placed in the Library of the House.

Mr. Gaya Prasad Singh : May I know—as I understand the Honourable Sir Fazl-i-Husain made a reference to this report in the course of the debate in the Council of State—whether it is permissible for a Member to make a reference to a report which is withheld from the House ?

Mr. President (The Honourable Sir Shanmukham Chetty) : Order, order. The Chair cannot allow the Honourable Member to discuss the propriety of what has taken place in another place.

Mr. Gaya Prasad Singh : I am merely asking, Sir, whether Government have any objection to laying that report on the table, in view of the fact that the Honourable Member in charge of this Department made a reference to it publicly in the course of the debate in the other House.

Dr. Ziauddin Ahmad : On a point of order, Sir. Are we not in order when we are merely asking a question about anything that happened in the Council of State ?

Several Honourable Members : Why not ? Why not ?

Mr. President (The Honourable Sir Shanmukham Chetty) : Order, order.

Mr. G. S. Bajpai : Sir, I took care to examine the exact words used by the Honourable Sir Fazl-i-Husain in another place before I came to answer this question here this morning. The Honourable Member did not mention any report. He merely said that the scheme for the transfer of the Institute at Pusa to Delhi had been drawn up by Dr. Macrae, the former Director, the present Director and the Agricultural Expert of the Government of India. No mention was made of any report.

Mr. Gaya Prasad Singh : That scheme must be contained in a report : will that scheme be made available to us ?

Mr. G. S. Bajpai : The proposals of these officers are contained in a departmental note which it is not customary to place on the table and which is in fact treated as confidential. The substance of the recommendations made by these officers has already been incorporated in a memorandum presented to the Standing Finance Committee and a copy of which is available in the Library of the House, and the experts are there available to answer any questions which the Honourable Members of the Standing Finance Committee might care to ask.

MOTION PASSED BY THE BURMA LEGISLATIVE COUNCIL TO REMOVE ITS PRESIDENT.

1819. ***Mr. Gaya Prasad Singh** : Has there been any correspondence between the Government of India and the Government of Burma, regarding the motion passed by the Burma Legislative Council to remove the Honourable Sir Oscar de Glanville from the office of the President of the Burma Legislative Council ? If so, can the correspondence be laid on the table ?

The Honourable Sir Henry Craik : The answer to the first part is in the negative. The second part does not arise.

Mr. Gaya Prasad Singh : Are Government aware that on a similar occasion U Chit Hlang, who was formerly the President of the Burma Legislative Council, at once resigned his appointment ?

Mr. President (The Honourable Sir Shanmukham Chetty) : Order, order. It does not concern the Governor General in Council.

U Ba Maung : Has not the Governor General in Council got a responsibility in settling the dispute that is going on ? (Laughter.)

The Honourable Sir Henry Craik : I think the matter is entirely one for the Local Government.

PROPOSED TRANSFER OF MR. VIDYA BHUSHAN, A PRISONER DETAINED UNDER REGULATION III, FROM THE DELHI JAIL TO THE ANDAMANS.

820. ***Mr. Gaya Prasad Singh** : (a) Is it intended that Mr. Vidya Bhushan, who was interned under Regulation III of 1818, following his discharge from the Delhi conspiracy case, is to be transferred from the Delhi District Jail to the Andamans ? If so, when ?

(b) On what date was he discharged, and when was he arrested under Regulation III of 1818 ?

The Honourable Sir Henry Craik : (a) No.

(b) The 4th February, 1933.

PROPOSED TRANSFER OF MR. VIDYA BHUSHAN, A PRISONER DETAINED UNDER REGULATION III, FROM THE DELHI JAIL TO THE ANDAMANS.

821. ***Mr. Bhuput Singh** : Will Government be pleased to state :

(a) if it is a fact that Mr. Vidya Bhushan was arrested in connection with the Delhi conspiracy case and subsequently discharged ;

(b) whether the said Mr. Vidya Bhushan after his discharge was detained under the Regulation III of 1818 ; if so (i) whether in connection with civil disobedience movement or (ii) in connection with the terrorist activities ;

(c) if it is a fact that he is going to be transferred from the Delhi district jail to the Andaman penal settlement ; and

(d) the number of prisoners under Regulation III of 1818, that are transferred to Andaman penal settlement ?

The Honourable Sir Henry Craik : (a) and (c). I would refer the Honourable Member to the replies I have just given to Mr. Gaya Prasad Singh's question on the same subject.

(b) He was detained as a State Prisoner because of his terrorist activities.

(d) None.

RULES GOVERNING THE GRANTS FROM THE ARMY BENEVOLENT FUND.

822 ***Maulvi Muhammad Shafee Daoodi** : (a) What are the rules governing the grants from the Indian Army Benevolent Fund ?

(b) Are the grants made quarterly or half-yearly ?

(c) How long does it generally take to issue grants to applicants ?

(d) Are Government aware that delay is caused in actually making the grants ?

(e) Are Government aware that most of the applicants are illiterate widows of deceased Indian Other Ranks ? If so, what facilities are given to such persons to have their claims settled early ?

(f) Will Government please state whether the widow Lalan Bi, wife of the late L/NK, No. 805, Ghulam Muhammad, has been applying for a grant from the Indian Army Benevolent Fund, etc., for more than a year,

vide letter No. R.23/1019, dated the 16th August, 1933, from the Commandant, Mountain Artillery Training Centre, Ambala Cantonment, to the President, District Soldiers' Board, Rawalpindi? If so, how long will it take to settle her case?

Lieut.-Colonel A. F. B. Lumby : (a) The rules governing the grants from the Indian Army Benevolent Fund are contained in Appendix IV to the Report on the working of the Indian Soldiers' Board for the year ending the 31st March, 1933, a copy of which is in the Library of the House.

(b) The grants are made half-yearly.

(c) About three months from the last date fixed for receiving applications by the Indian Soldiers' Board.

(d) Not so far as the Central Board is concerned, but a few cases have come to notice in which delays have occurred because the local civil or military authorities to whom the grants were sent for distribution found difficulty in tracing the individuals to whom the money was to be given.

(e) The answer to the first question is in the affirmative. With regard to the second question, the Honourable Member's attention is invited to rules 3 and 4 of the rules quoted in the answer to part (a).

(f) Government have no information. An enquiry is being made from the District Soldiers' Board, Rawalpindi. The Honourable Member will be informed of the result in due course.

MUSLIM ASSISTANT SURGEONS ON THE NORTH WESTERN RAILWAY.

823. ***Mr. M. Maswood Ahmad :** Will Government be pleased to state what steps are being taken for increasing the number of Muslim Assistant Surgeons on the North Western Railway?

Mr. P. R. Rau : I would refer the Honourable Member to the reply given to his unstarred question No. 77 on the 20th August, 1934.

12 NOON.

SERVICES ON DIFFERENT RAILWAY SYSTEMS ON TERRITORIAL BASIS.

824. ***Mr. M. Maswood Ahmad :** (a) Is it a fact that services on different Railway systems are not restricted on territorial basis?

(b) Do Government propose to inform the Agents and the appointing authorities to consider the claims of all the applicants in the light of the recent Government Resolution, No. F.14/17-B.33 and not to give preference to any candidate on territorial basis?

Mr. P. R. Rau : (a) Yes.

(b) I would refer the Honourable Member to the reply I have just given to question No. 811 put by Sardar Sant Singh.

APPOINTMENT OF A BIHARI MUSLIM ASSISTANT SURGEON ON THE NORTH WESTERN RAILWAY.

825. ***Mr. M. Maswood Ahmad :** Will Government be pleased to state whether a Behari Muslim Assistant Surgeon can be appointed on the North Western Railway?

Mr. P. R. Rau : There is nothing to prevent such appointment.

UNSTARRED QUESTIONS AND ANSWERS.

NON-PAYMENT TO PIECE-HAND EMPLOYEES OF THE GOVERNMENT OF INDIA
PRESSES FOR WORK ON HOLIDAYS.

96. **Mr. S. G. Jog :** (a) Is it a fact that the piece-hand employees of the Madras Government Press are paid for the gazetted holidays at their respective class rates ?

(b) Is it a fact that the piece-hand employees of the Government of India Presses are not paid for the holidays ?

(c) If the replies to the preceding parts are in the affirmative, will Government please state the reasons why the piece-hand employees of the Government of India Presses are not paid for the gazetted holidays, and do Government propose to reconsider their decision about it ? If not, why not ?

The Honourable Sir Frank Noyce : (a) Government have no information.

(b) The attention of the Honourable Member is invited to the reply given by me on the 19th September, 1932, to part (c) of unstarred question No. 50 by Mr. S. C. Mitra.

(c) Does not arise.

COMPENSATION LEAVE FOR ATTENDANCE ON GAZETTED HOLIDAYS TO CERTAIN
EMPLOYEES OF THE GOVERNMENT OF INDIA PRESSES.

97. **Mr. S. G. Jog :** (a) Is it a fact that the employees of the Government of India Presses confirmed and appointed in and after 1929 are not granted compensation leave for attendance on gazetted holidays ?

(b) Is it a fact that the employees who are booked to work the whole day on such holidays are paid for only two hours ? If so, why ?

(c) Is it a fact that the concession of casual leave has been withdrawn from the employees confirmed and appointed in and after 1929 ? If so, what are the reasons for this withdrawal ?

The Honourable Sir Frank Noyce : (a) Compensation leave for attendance on gazetted holidays which do not fall on Sundays has been abolished with effect from the 1st July, 1928, in the case of all piece-work employees and of those salaried employees who have been appointed on or after the 1st July, 1928.

(b) Piece-work employees, who work on a closed gazetted holiday, receive both their ordinary rates of pay for that day and 25 per cent. extra. Piece-work employees, who work on a non-closed gazetted holiday receive only their pay for that day at ordinary rates. Salaried employees who work on a closed gazetted holiday are paid 25 per cent. of a day's wage for that day in addition to their monthly pay. They receive no extra payment for work done on non-closed gazetted holidays.

(c) Yes. The grant of casual leave to industrial employees is considered administratively inconvenient.

**INCREASE OF PRINTING WORK IN THE GOVERNMENT OF INDIA PRESS,
NEW DELHI.**

98. Mr. S. G. Jog : (a) Is it a fact that in the Government of India Press, New Delhi the printing work has increased considerably ?

(b) Is it a fact that a section has been abolished there ?

(c) Is it a fact that the employees of the above section have been distributed to four other sections ? Is it a fact that due to the increase of men in other sections the Section Holders work has also considerably increased ?

(d) If the replies to the above parts are in the affirmative, do Government propose to reconsider their decision about the abolition of the section ?

The Honourable Sir Frank Noyce : (a) The printing work in the Government of India Press, New Delhi, tends to increase as work is diverted to it from the Calcutta Press. At the same time staff is increased, whenever necessary, to cope with the additional work.

(b) The hand composition section has recently been abolished in the interests of efficiency.

(c) The employees in the section in question have been distributed among the other sections, the section holders of which, where necessary, have been given extra assistance to enable them to cope with the increase of the staff under them and the additional work.

(d) No.

**PRINTING OF CERTAIN PUBLICATIONS IN THE GOVERNMENT OF INDIA PRESS,
NEW DELHI.**

99. Mr. S. G. Jog : (a) Is it a fact that the following publications which used to be printed at the Government of India Press, Calcutta have been transferred to New Delhi Press :

1. Army List, 2. Blue Books, 3. Postal Guide, 4. Gazette of India Parts II, IIA, III and——supplementary and other publications, correction lists, etc. ?

(b) Is it a fact that due to the above printing, work at the Delhi Press has increased by more than 50 per cent. ?

(c) If the replies to the above parts are in the affirmative, will Government please state the number of staff that has been increased in the following branches ?

Clerical, Reading Section, Composing, Lino, Mono, Printing Machine, Section Holders, Assistant Section Holders, Binding and Ware House Branches.

The Honourable Sir Frank Noyce : (a) Yes.

(b) The work has increased but the percentage of increase cannot be readily estimated.

(c) The increase of staff in the branches is as follows :

Clerical (including Computing) Branch	13
Reading Branch	9
Composing Branch	1
Lino Branch	7
Mono Branch	3
Machine and Press Branch	14
Section Holders	<i>Nil</i>
Assistant Section Holders	<i>Nil</i>
Binding and Warehouse Branches	14

PROVISION OF PROPER MEDICAL FACILITIES FOR THE EMPLOYEES OF THE
GOVERNMENT OF INDIA PRESS, NEW DELHI.

100. **Mr. S. G. Jog :** (a) Is it a fact that a Sub-Assistant-Surgeon daily attends the Government of India Press, Delhi, in the morning for an hour only ?

(b) Is it a fact that there is no arrangement to attend to the serious cases during the remaining hours of the day or night ?

(c) Are Government aware that last year a daughter of the Binding Jemadar had suddenly a severe attack of fever at about 1 A.M.

(d) Is it a fact that the Press doctor was requested on the telephone from the Manager's bungalow to attend on the patient ?

(e) Is it a fact that according to the Factories Act, the doctor should remain near the Factory all the 24 hours ?

(f) Is it a fact that the Doctor refused to attend on her at that time saying he could not come as there was no conveyance available ?

(g) If the replies to the above parts are in the affirmative, do Government propose to make such arrangements that employees may secure necessary medical aid in emergencies without the least delay ?

The Honourable Sir Frank Noyce : (a) No, but I am informed that a Sub-Assistant Surgeon attends for about an hour daily at a dispensary maintained by the New Delhi Municipality in the Press area.

(b) The employees of the Government of India Press, New Delhi, like other Government servants in Delhi, can, in the case of their own illness or that of any members of their family, send for the medical officer of Government, to whose services they are entitled under the rules.

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

(e) No.

(g) Does not arise.

ATTENDANCE OF FACTORY INSPECTORS AT THE GOVERNMENT OF INDIA PRESSES.

101. **Mr. S. G. Jog :** (a) Is it a fact that according to the rules framed by Local Government about the Factories Act, Factory Inspectors should attend the factories at least once a year to enquire about the diffi-

culties and take the ballot in his presence about the working hours of the factories ?

(b) If the reply to part (a) is in the affirmative, will Government please state how many times the Factory Inspectors attended the Presses at Calcutta, Simla, New Delhi and Aligarh during the last three years, and place their reports on the table of the House ?

The Honourable Sir Frank Noyce : (a) No.

(b) Does not arise.

REPRESENTATION OF MUSLIMS IN THE SERVICES.

102. **Mr. M. Maswood Ahmad :** (a) Are Government aware of the following resolutions passed at a meeting of the Muslim League, Multan, held on the 15th July, 1934 ?

1. That this League welcomes the decision of the Government of India resolution fixing the representation of minority communities, in Central Services. Although fixation of 25 per cent. representation for the Muslim community falls short of the 33.3 per cent. due on legislature basis, yet the community views with equanimity this fixation, as this is a step forward, and takes this opportunity to thank Lord Willingdon's Government in general and Sir Harry Haig in particular, for this courageous action.

2. That Government of India be approached to put this resolution to effect, in the matter of I. C. S. recruitment (where out of 20 Indians accepted this year, only 4 Muslims have been taken), by nominating a few more Muslims, before the present batch of selected candidates, leaves for England in September, 1934, so that the inequality of Muslim representation complained of, is not further exaggerated.

3. That Government of India be requested to detail an officer to watch recruitment in different services, and see that the representation of minorities does not fall short of the quota fixed.

(b) Do Government propose to take any action in connection with the second and third resolutions ?

The Honourable Sir Henry Craik : (a) The reply is in the affirmative.

(b) As regards the second Resolution, Muslims have secured five out of the 22 vacancies in the Indian Civil Service filled by Indians in the recruitment year 1933-34 (London Examination of 1933 and Delhi Examination and nominations in 1934), i.e., as nearly 25 per cent. of vacancies as is practicable. Government, therefore, do not propose to take any further action in the matter.

As regards the third Resolution, the Government have already decided to appoint temporarily an additional Deputy Secretary in the Home Department, one of whose main duties will be to frame detailed instructions designed to ensure that the new orders are effectively implemented.

STATE PRISONERS DETAINED UNDER REGULATION III OF 1818.

103. **Mr. S. C. Mitra :** (a) Will Government please place a statement on the table of this House regarding the State prisoners under Regulation III of 1818, giving (i) their names, (ii) the date and the period of detention, (iii) classification showing how many of them are detained for acting against (1) "due maintenance of alliances formed by the British Government with foreign powers", (2) "Preservation of tranquillity in

the territories of Indian Princes entitled to protection"; (3) "the security of the British Dominion from foreign hostility"; and (4) "the security from internal commotion" ?

(b) How many of the State prisoners have been released during the last 12 months, and under which category of the classification of (iii) do they come ?

The Honourable Sir Henry Craik : (a), (i), (ii). I would refer the Honourable Member to the answer given by me to Mr. Sitakanta Mahapatra's question No. 555 on the 14th August, 1934.

(iii) (1)	.. .. .	4
(iii) (2)	.. .. .	2
(iii) (3)	.. .. .	Nil
(iii) (4)	.. .. .	29

(b) Ten. All of them were detained under the fourth category.

STRENGTH OF THE OFFICE OF THE MILITARY SECRETARY TO THE VICEROY AND CERTAIN OTHER OFFICES.

104. **Maulvi Badi-uz-Zaman :** What is the total strength of the following offices :

- (i) Military Secretary to the Viceroy ;
- (ii) Comptroller, Viceregal Household ; and
- (iii) Invitation Office ?

The Honourable Sir Henry Craik : The total strength of the staff in the Military Secretary's office is 21. Of these, five are in the Comptroller's office and three in the Invitation office.

FURNITURE ISSUED TO CERTAIN PERSONNEL OF THE VICEREGAL ESTATE.

105. **Maulvi Badi-uz-Zaman :** Will Government kindly lay on the table a rough statement showing the amount of furniture issued to the following personnel of the Viceregal Estate :

- (i) European clerks,
- (ii) Indian clerks, and
- (iii) Bandsmen ?

Why are the Indian clerks not issued furniture in the same scale as the Europeans ?

The Honourable Sir Frank Noyce : No scale of furniture is laid down for the quarters allotted to personnel serving on the Viceregal Estates. Quarters are, so far as possible, furnished to meet the individual needs of each family. No distinction is made in furnishing quarters allotted to Europeans and Indians except in respect of certain items which are special either to Indian or to European houses and are usually supplied at the request of the occupant. All reasonable demands for extra furniture are carefully considered and complied with when possible.

EARNINGS FROM ILLICIT TRAVELLING ON THE NORTH WESTERN RAILWAY.

106. **Sardar Sant Singh** : Will Government be pleased to lay on the table of this House a statement showing the figures of earnings made during 1931—34 from illicit travelling by the Special Ticket Examiners of the North Western Railway under each of the following heads :

No. of Passangers.	Amount recovered in cash.	On Guards certificate.	Without Guards Certificate.
Without Tickets			
Over-riding			
Higher class			
Halves unbooked			
Unbooked baggage			
Wrong route			
Over-age			
Animals			

Mr. P. R. Rau : No. The collection of the information required will involve a considerable amount of time and labour not commensurate with the use to which the figures could be put.

EXPENDITURE ON CONTINGENCIES IN THE CENTRAL PUBLICATION BRANCH.

107. **Mr. D. K. Lahiri Chaudhury** : (a) Will Government state the actual expenditure on account of contingencies during the last financial year in the Central Publication Branch ?

(b) Will Government furnish comparative statistics of expenditure on this account during the last three financial years ?

The Honourable Sir Frank Noyce : (a) and (b).

	Rs.
1931-32	28,851
1932-33	77,930
1933-34	54,148 (approximately).

THE INDIAN INCOME-TAX (AMENDMENT) BILL.

PRESENTATION OF THE REPORT OF THE SELECT COMMITTEE.

Sir Hari Singh Gour (Central Provinces' Hindi Divisions : Non-Muhammadan) : Sir, I beg to present the Report of the Select Committee on the Bill further to amend the Indian Income tax Act, 1922.

MESSAGE FROM H. E. THE GOVERNOR GENERAL.

Mr. President (The Honourable Sir Shanmukham Chetty) :
I have received a Message from His Excellency the Governor General :

(The Message was received by the Assembly standing.)

“ In pursuance of sub-section (3) of Section 68B of the Government of India Act, I, Freeman, Earl of Willingdon, hereby require the attendance of the Members of the Legislative Assembly in the Assembly Chamber at Simla, at 11 o'clock on Wednesday, the 29th August, 1934.

SIMLA,

WILLINGDON,
Viceroy and Governor General.”

The 21st August, 1934.

PRESENTATION OF THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE.

The Honourable Sir James Grigg (Finance Member) : Sir, I beg to present the report of the Public Accounts Committee on the accounts of 1931-32—Part II—Railways, the report of the Public Accounts Committee on the accounts of 1932-33—Part I—Civil, Military and Posts and Telegraphs and the report of the Public Accounts Committee on the accounts of 1932-33—Part II—Railways.

Report of the Public Accounts Committee on the Accounts of 1931-32.

PART II—RAILWAY ACCOUNTS.

Position as regards estimating.

1. The following table compares the original estimates made before the beginning of the year, the revised estimates prepared near its end, and the actual results :

	(Lakhs of Rupees.)		
	Budget.	Revised.	Actuals.
(1) Traffic receipts (less refunds)	1,01,00	86,75	86,63
(2) Miscellaneous receipts	1,58	1,30	1,20
(3) Working Expenses	66,43	62,53	62,77
(4) Miscellaneous Expenditure	61	58	55
(5) Surplus Profits	75	83	64
(6) Interest charges	33,57	33,28	33,07
(7) Surplus (+) or deficit (—)	1,22	—9,47	—9,20
(8) Contribution to general revenues	5,36	..	..
(9) Payment to (+) withdrawal from (—) Reserve	—4,14	—4,95	—4,95
(10) Loans from the Depreciation Fund .. .. .	..	4,52	4,25

2. The budget estimate anticipated a net surplus of Rs. 1,22 lakhs which with a withdrawal of Rs. 4,14 lakhs from the Reserve Fund was to be utilised to meet the contribution of Rs. 5,36 lakhs to general revenues. In framing

(1861)

this estimate it had been assumed that the year would show a modest improvement in traffic over the abnormally low figures of the previous year and an allowance was made for increased receipts from alterations of rates and fares already given effect to or under investigation at the time. Far from improving, the traffic showed a considerable decline and the revised estimate pointed to a deficit of Rs. 9,47 lakhs which was to be met by transfer of the whole balance of the Reserve Fund (Rs. 4,95 lakhs) and a loan of Rs. 4,52 lakhs from the Depreciation Fund. The actuals proved to be slightly better than the revised and a loan of Rs. 4,25 lakhs only from the Depreciation Fund was necessary. The large deterioration as compared with the original estimate was mainly due to the continued economic depression, the low level of prices and the decreased spending power of the people. Increasing road motor competition was also probably an important contributory cause. Compared with the revised estimate the actual receipts were Rs. 22 lakhs less and the actual expenditure Rs. 49 lakhs less with the result that the deficit on the working of the railways during the year was less by Rs. 27 lakhs. But for a saving of Rs. 21 lakhs in the interest charges due to the actual rate of interest being slightly lower than that assumed in the revised estimate the net deficit would have been only Rs. 6 lakhs less than what was assumed in the revised estimate.

Position as regards control of expenditure.

3. The following table compares the final voted grants with the expenditure against those grants :

		(Lakhs of Rupees.)				
	Original grant.	Supplementary grant.	Final grant.	Actual expenditure.	Excess + Saving —	
<i>Expenditure charged to Revenue.</i>						
1. Railway Board	10.50	..	10.50	10.26	—0.24	
2. Inspection .. ..	.90	..	.90	.90	—0.10
3. Audit	14.20	..	14.20	13.78	—0.42	
4. Working Expenses, Administration	13,00.00	..	13,00.00	12,99.78	—0.22	
5. Repairs, maintenance and operation.	37,54.00	..	37,54.00	33,94.59	—3,59.41	
6. Payment of surplus profits ..	75.00	7.75	82.75	64.19	—18.56	
9. Appropriation to Depreciation Fund.	13,00.00	..	13,00.00	13,03.49	+3.49	
11. Miscellaneous expenditure ..	10.75	.25	11.00	3.38	—7.62	
14. Strategic lines	1,97.50	..	1,97.50	1,80.13	—17.37	
<i>Expenditure charged to Capital and Depreciation and Reserve Funds.</i>						
7. New construction	2,86.80	..	2,86.80	2,75.87	—10.93	
8. Open line works	8,38.40	..	8,38.40	8,08.93	—4,39.47	
10. Appropriation from Depreciation Fund.	8,25.00	4,52.02	12,77.02	12,52.12	—24.90	
13. Appropriation from Reserve Fund	4,14.67	80.39	4,95.06	4,95.06	..	
15. Strategic lines Capital	17.00	..	17.00	—3.23	—20.23	

4. The non-voted appropriations sanctioned by the Government of India and the expenditure against those appropriations are given below :

		(Lakhs of Rupees.)				
		Original appro- priation.	Supple- mentary appro- priation.	Final appro- priation.	Actual expendi- ture.	Excess- Saving.
<i>Expenditure charged to Revenue.</i>						
1.	Railway Board	4.80	— .25	4.35	4.39	+ .04
2.	Inspection	3.10	— .11	2.99	2.96	— .03
3.	Audit	5.60	— .25	5.35	5.34	— .01
4.	Working Expenses, Administra- tion.	1,00.00	+ 9.48	1,09.48	1,07.82	— 1.61
5.	Repairs, Maintenance and Opera- tion.	1.00	+ .80	1.20	1.29	+ .09
11.	Miscellaneous Expenditure ..	10.75	— .32	10.43	9.97	— .46
14.	Strategic lines	6.00	— .72	5.28	5.51	+ .23
<i>Expenditure charged to Capital.</i>						
7.	New construction	2.20	+ .61	2.81	2.72	— .09
8.	Open line works .. ..	.60	+ .70	1.30	1.33	+ .03
15.	Strategic lines .. ..	..	..	..	.01	+ .01
	Interest on debt	32,21.28	— 31.09	31,90.19	31,75.50	— 14.69
	Interest on Capital contributed by Companies.	1,35.92	+ 1.98	1,37.90	1,31.14	— 6.76

5. We give in paragraph 6 below the reason for the excess over voted grant No. 9 which requires the vote of the Legislative Assembly. There was only one excess in the year under report against six and four in 1930-31 and 1929-30 respectively. The excesses over non-voted appropriations numbered five in 1931-32 against four in 1930-31 and five in 1929-30. The percentage of individual excesses, votable and non-votable, varied from .27 per cent. to 7.89 per cent. under heads of expenditure charged to Revenue. The excess under capital expenditure was small.

As regards savings, they varied from .02 per cent. to 118.99 per cent. under individual heads the biggest savings occurring under the revenue grants 2, 5, 6, 11 and 14 and the capital grants 8 and 15. Taking the total railway expenditure both voted and non-voted, there was a saving of 4.24 lakhs or 4.18 per cent. under expenditure charged to revenue and a saving of 4.95 lakh or 16.96 per cent. under capital expenditure. The position in this respect compares as follows with the last two years :

Expenditure charged to Revenue.

(Excluding appropriations to and from the Reserve Fund.)

		(Lakhs of Rupees.)		
Year.		Final grant and appropriation.	Savings.	Percentage of column (3) to column (2).
1		2	3	
1929-30	.. ..	1,01.55	— .66	.64
1930-31	.. ..	1,05.11	— 2.98	2.83
1931-32	.. ..	1,91.88	— 4.24	4.18
<i>Expenditure charged to Capital.</i>				
1929-30	.. ..	45.03	— 3.08	6.84
1930-31	.. ..	25.74	— 1.14	4.39
1931-32	.. ..	29.18	— 4.95	16.96

We agree with the Auditor General that the conditions of the year 1931-32 were such as not to afford a fair test of budgeting on railways, that railway administrations are making real attempts to control expenditure despite the difficulties connected with the present unsuitable system of units of appropriations and that a high standard of efficiency and control cannot be expected until the form of the demands for grants is altered to conform more to the structure of the initial accounts. We shall deal in later paragraphs with the question of the alteration of the form of demands for grants.

Excess over voted grants.

6. There was only one excess over a voted grant which requires to be regularised by an excess vote of the Legislative Assembly :

	Final grant.	Actual Expenditure.	Excess.
	Rs.	Rs.	Rs.
Demand No. 9—Appropriation to Depreciation			
Fund .. .. .	.. 13,00,00,000	13,03,49,498	3,49,498

The excess was mainly due to the fact that a typographical error in the Revised Estimates of the East Indian Railway involving a sum of Rs. 3 lakhs escaped detection. We recommend that the Assembly should assent to the excess grant which the Governor General in Council will place before them in due course.

Reappropriations not made in accordance with prescribed Rules.

7. Under Rule 52 (2) (ii) of the Indian Legislative Rules we are required to bring to the notice of the Legislative Assembly every appropriation within a grant which is not in accordance with such rules as may be prescribed by the Finance Department. We give below with our comments the cases brought to our notice by the Director of Railway Audit :

- (i) The Railway Department communicated to the Agent, Burma Railways, a grant of Rs. 57·85 lakhs for expenditure in India and of Rs. 5·80 lakhs for expenditure in England. The Agent sanctioned a reappropriation of Rs. 1·37 lakhs from the English provision to the Indian provision which was beyond his powers. The matter was virtually regularised by the Railway Board in their final appropriation orders.
- (ii) The total appropriations made by the Railway Board under the voted portion of grant 11 aggregated Rs. 11,25,000 against a sum of Rs. 11,00,000 voted by the Assembly. The practice of over-allotment under this grant is not covered by the convention established with the previous Public Accounts Committees and set forth in paragraph 23 of their Report on the accounts of the year 1928-29. The Railway Department explained that this was done in expectation of certain credits accruing on the Eastern

Bengal and East Indian Railways under "Surveys" a sub-head of this grant but that no formal withdrawal of funds was made from those two railways on the ground that originally no allotment had been made to them under this head.

We agree with the Auditor General that none of the above irregularities is important from our point of view.

Comments on matters outstanding from previous Reports.

8. *Special concessions for military traffic.*—The Financial Commissioner explained that the Railway Department were endeavouring to come to some agreement with the Army Department and that a memorandum would be circulated to the members of the Committee as soon as possible.

9. *Remodelling of the form of demands for grants for railways.*—The main difficulty in the proper control of railway expenditure is that the present form of the demands for grants is entirely different from the structure of the railway accounts. For example, under the present system, the total working expenses of railways are shown under two demands and under each demand there are a large number of sub-heads. These sub-heads do not correspond to the heads under which accounts are kept and consequently the Railway Administrations have to re-arrange all the figures in their accounts in order to enable them to compare expenditure with the grants. This not only involves a lot of unnecessary labour but also makes it very difficult for the Railway Administrations to watch the progress of expenditure against the grants. In order to meet this difficulty the Public Accounts Committee which examined the accounts of 1930-31 recommended that it was imperatively necessary that the arrangement of the working accounts and the sub-divisions of the demands should correspond so that administrative and executive authorities may have no difficulty in carrying out the wishes of the legislature. In accordance with these recommendations the Financial Commissioner has made certain proposals regarding the alteration in the form of demands. We accept these proposals. As regards the division of working expenses of railways into the various demands there are two alternatives (1) to make each railway a separate demand and the various accounts abstracts into sub-heads under the demand or (2) to make each abstract a separate demand and each railway a sub-head under the demands. The Financial Commissioner favours the second alternative subject to a convention being established that a saving under one demand should be considered as a set off against an excess in another. We agree with the Financial Commissioner. We are glad to note that these changes have been given effect to in the demands for grants for 1934-1935.

10. *Allocation of expenditure to capital, Depreciation Fund and to Revenue.*—The Financial Commissioner intimated to us that the matter was still under the consideration of the Government. The Auditor General explained that the problems involved were exceedingly difficult and what he feared was that if they were postponed further, decisions might have to be taken hurriedly in connection with the drafting of the Bill relating to the Statutory Railway Board. He therefore suggested that the matter should be expedited. We endorse the Auditor General's suggestion.

11. *Delay in the apportionment of joint station expenses.*—The Financial Commissioner informed us that the question of devising a simpler system of apportioning joint station expenses had been referred to the Railway Conference Association whose recommendations had been received and that a decision would be reached without avoidable delay. We desire that a memorandum should be placed before the Committee next year explaining the action taken.

Comments on matters arising out of the accounts for 1931-32.

12. *Date of issue of the Financial Commissioner's Review.*—In paragraph 11 of the Report on the accounts for 1930-31, Part II, the Public Accounts Committee expressed the opinion that the Financial Commissioner's Review of the Appropriation Accounts should be in the hands of the Director of Railway Audit before the latter wrote his report in order that he might be able to take into account all the material furnished by the Financial Commissioner and thus minimise duplication in the presentation of results. To meet the desire of the Committee the Financial Commissioner undertook to endeavour to send his Appropriation Accounts with his Review to the Director by the middle of April each year so as to enable the Director to submit his report to the Auditor General by the middle of May. The Financial Commissioner explained to us the difficulties involved in preparing the Review by the middle of April and stated that he would try to give it by the end of May. We recognise the difficulties pointed out by the Financial Commissioner but desire that he should try to have his Review ready in time for consideration by the Auditor General before he wrote his letter on the Appropriation Accounts.

13. *Utilisation of unanticipated credits to cover excess expenditure.*—We adhere to the recommendation already made in paragraph 11 of the first part of the Report on the Accounts of 1931-32, *viz.*, that in cases where substantial unanticipated credits are to be utilised to incur fresh expenditure, which would not have been incurred but for such credits, the approval of the Standing Finance Committee should be obtained in the same way as for items of supplementary grants.

14. *Policy of over-allotment.*—The Auditor General explained to us that under the convention agreed to by the previous Committees over-allotment was allowed only in respect of grants Nos. 4, 5 and 6, but in 1931-32 the Railway Board had extended the convention to other grants. After careful consideration of the explanation given by the Financial Commissioner (*vide* paragraph 12 of the Proceedings) we do not see any reason for agreeing to the extension of the convention to other grants. We recognise, however, that it may be necessary in very exceptional cases to depart from the convention and in such cases the Public Accounts Committee should consider the matter when it reviews the accounts of the year.

15. *New Service.*—The Auditor General has brought to our notice two doubtful cases of new service in the accounts of 1931-32 (Appendix VI), namely, (1) additions and alterations to the locomotive running shed at Bhusawal and (2) installation of wireless sets on railways. On the assumption that the additions and alterations to the locomotive running shed involve merely an

extension of the facilities for carrying out running repairs, it is debatable whether the item should be classified as an item of new service but in view of the amount involved we consider that it should be treated as an item of new service. The second item should be treated as an item of new service.

16. *Utilisation of the Reserve provision for an item of new service.*—In accordance with the recommendation of the Public Accounts Committee in their Report on the accounts of 1928-29 a reserve provision is being included in the railway estimates to meet unforeseen emergencies. The Auditor General raised the question whether the Railway Board could utilise such provision to meet expenditure on an item of new service without obtaining a specific vote from the Assembly as required by the rules. We consider that the existence of this provision does not absolve the Railway Board from obtaining a specific vote from the Assembly as required by the Statutory Rules for expenditure on a new service. In cases of real emergency, however, *i.e.*, where delay in executing a work is likely to affect the public interest seriously the Railway Board could utilise this provision for an item of new service but should bring the matter to the notice of the Assembly as soon as possible. In other cases the Railway Board should obtain the specific vote from the Assembly for every item of new service (possibly by a token vote) even if expenditure could be met from the emergency provision.

17. *Balance Sheets of Railways.*—The Director of Railway Audit in paragraph 115 of his report has offered certain criticisms regarding the present form of the balance sheets and has suggested that in order to get over these difficulties the double account system should be used for preparing these balance sheets, *i.e.*, capital and assets should be omitted from the balance sheets and constituted into a separate capital statement giving greater details of the assets. We understand that this system has been introduced in England to exhibit the expenditure of monies obtained by the creation of fixed liabilities and is applied generally to bodies that have been incorporated by a special Act of Parliament to work public undertakings such as railways. We generally accept the proposals in the Financial Commissioner's Review regarding the introduction of this system but leave the details to be settled by the Director of Railway Audit in consultation with the Financial Commissioner.

The Director of Railway Audit also raised the question whether in view of the difficulties involved in preparing accurate balance sheets and profit and loss accounts of individual railways such accounts should continue to be prepared. We agree with the Auditor General and the Financial Commissioner that profit and loss accounts of individual railways should continue to be prepared as accurately as possible, as the Public Accounts Committee is much interested in the financial results of the working of individual railways and such accounts would afford it some basis for comparing efficiency of work. The preparation of balance sheets of individual railways is not so important but the same treatment may be applied to them.

18. *Delay in the execution of agreements.*—The Director of Railway Audit has brought to our notice a case in which the negotiation of an agreement about certain collissions had been pending for over 20 years. In order to avoid such delays we desire that the Railway Board should consider whether they could

not obtain an annual report from all the railways showing agreements the conclusion of which was outstanding.

19. We append to our report minutes of the proceedings which we consider should be treated as part of the report. We assume that in accordance with the established practice action will be taken by the Department as necessary on the observations and recommendations contained in these paragraphs.

K. SANJIVA ROW,
(Secretary).

Dated the 6th August, 1934.

T. N. RAMAKRISHNA REDDI.
I. ALIKHAN.
R. D. DALAL.
M. C. RAJAH.
J. RAMSAY SCOTT.
S. C. MITRA.
K. P. THAMPAN.

As the Chairman of the Committee which examined the Railway Accounts of 1931-32 has left India it has not been possible to obtain his signature to the Report.

A. A. L. PARSONS,
Secretary to the Government of India.

PROCEEDINGS OF THE COMMITTEE.

Proceedings of the Tenth* Meeting of the Public Accounts Committee held on Wednesday, the 9th August 1933, at 2-30 P.M.

PRESENT :

The Hon'ble Mr. A. H. LLOYD, Finance Member, *Chairman.*

Rao Bahadur M. C. RAJAH.

Mr. T. N. RAMAKRISHNA REDDI.

Kunwer Hajee ISMAEL ALIKHAN.

Mr. S. C. MITRA.

Mr. K. P. THAMPAN.

Mr. MUHAMMAD ANWAR-UL-AZIM.

Mr. RAMSAY SCOTT.

Dr. R. D. DALAL.

} *Members.*

Mr. A. C. BADENOCH, Auditor General.

Mr. J. C. NIXON, Director of Railway Audit.

The Hon'ble Mr. J. B. TAYLOR, Financial Secretary.

} *Were also present.*

Mr. P. R. RAU, Financial Commissioner, Railways.

Mr. V. S. SUNDARAM, Director of Finance.

Mr. L. S. DEANE, Controller of Railway Accounts.

} *Witnesses.*

* The first nine meetings were held in connection with the Appropriation Accounts relating to Civil, Military and Posts and Telegraphs.

The Committee took up the further consideration of Appendix XIX* regarding the amendment of the rules relating to the constitution of the Public Accounts Committee. The Committee agreed that if the life of the Assembly was extended beyond the normal period of three years a fresh Committee should be elected.

2. The Committee decided to proceed with the examination of the Railway Appropriation Accounts on the understanding that the question of the coal purchase policy of the Government of India, the Railway Board's summary of the working of Railways during 1932-33 and any other matters which the members might bring forward should be discussed at a meeting to be held later in the year.

3. The Committee then took up the consideration of the items shown in the Quarterly List of Outstandings (Appendix I) and accepted the action taken and the explanation given in regard to items subject to the following remarks :

Item 2. Special concessions for military traffic.—The Financial Commissioner explained that the Railway Department were endeavouring to come to some sort of agreement with the Army Department and that a memorandum would be circulated to the members of the Committee as soon as possible.

Item 4. Financial results of Railway electrification scheme.—The Committee was informed that a note† was under preparation and would be circulated to the Committee shortly.

Items 5 and 6.—Remodelling of form of demands for grants for Railways.—These two items were reserved for consideration at the meeting to be held on the 11th August at 2-30 P.M.

Item 7. Allocation of expenditure to capital depreciation fund and to revenue.—The matter was reported to be under the consideration of the Government of India. The Auditor General explained that the problems involved were exceedingly difficult and what Sir Ernest Burdon feared was that if they were postponed further, decisions might have to be taken hurriedly in connection with the drafting of the Bill relating to the Statutory Railway Board. He therefore suggested that the matter should be expedited. The Committee endorsed the Auditor General's suggestion.

Item 9. Delay in the apportionment of joint station expenses.—The Financial Commissioner informed the Committee that the question of devising a simpler system of apportioning joint station expenses had been referred to the Railway Conference Association whose recommendations had been received and a decision would be reached without avoidable delay. The Committee desired to have a memorandum placed before it next year stating the action taken.

Item 10. Earlier submission of monthly accounts.—The question was reported to be still under consideration‡.

4. Paragraph 2 of the Auditor General's letter (Appendix II-A)—Date of issue of the Financial Commissioner's Review.—The Financial Commissioner

* Printed in Part I of Report.

† Since circulated, vide Appendix XII.

‡ Memorandum circulated, vide Appendix IV.

explained the difficulties involved in preparing the Review earlier and stated that he would try to give it before the end of May. The Committee recognised the difficulties pointed out by the Financial Commissioner but desired that the Financial Commissioner should try to have his Review ready in time for consideration by the Auditor General before he wrote his letter on the Appropriation Accounts.

5. *Paragraphs 20 and 22 of the Report of the Director of Railway Audit.*—The Committee examined the reasons for the excesses in voted grants and non-voted appropriations and decided to recommend that the excess in the voted grant be voted by the Legislative Assembly and that the excesses in non-voted appropriations be sanctioned by the Government of India.

6. *Paragraph 24 of the Director's Report.*—The Director raised the question whether Annexure II to the Report which gives a list of misclassifications detected during the year should be continued. The Committee desired that it should be continued.

7. The Committee then adjourned till 11 A.M. on Thursday, the 10th August 1933.

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Proceedings of the Eleventh Meeting of the Public Accounts Committee held on Thursday, the 10th August 1933, at 11 A.M.

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PRESENT :

The Hon'ble Mr. A. H. LLOYD, Finance Member, *Chairman.*

Rao Bahadur M. C. RAJAH.

Mr. T. N. RAMAKRISHNA REDDI.

Kunwer Hajee ISMAEL ALIKHAN.

Mr. S. C. MITRA.

Mr. K. P. THANPAN.

Mr. MUHAMMAD ANWAR-UL-AZIM.

Mr. RAMSAY SCOTT.

Dr. R. D. DALAL.

} *Members.*

Mr. A. C. BADENOCH, Auditor General.

Mr. J. C. NIXON, Director of Railway Audit.

The Hon'ble Mr. J. B. TAYLOR, Financial Secretary.

} *Were also present.*

Mr. P. R. RAU, Financial Commissioner, Railways.

Mr. V. S. SUNDARAM, Director of Finance.

Mr. L. S. DEANE, Controller of Railway Accounts.

} *Witnesses.*

8. *Paragraph 30 of the Director's Report—Unanticipated Credits.*—After considerable discussion, the Committee decided to adhere to the suggestion already made by them, *viz.*, that in cases, where substantial unanticipated credits were to be utilised to incur fresh expenditure which would not have been incurred but for such credits, the approval of the Standing Finance Committee should be obtained in the same way as for items of supplementary grants.

9. *Paragraphs 31 and 35 of the Director's Report.*—The Financial Commissioner gave the following explanation :

Under the present arrangements the Demand is sub-divided into a large number of sub-heads based on different categories of expenditure, and the provision made for each sub-head is distributed among the individual railways. This final detailed distribution is, owing to the inadequate information available to the Railway Board as to the detailed requirements of each administration, very often imperfect ; it cannot naturally be considered as having any finality and the Agent has to be empowered to make whatever redistribution he feels necessary between these sub-heads. Further he is expected to do whatever he can to ensure by re-appropriation that the total sum allotted to him is utilised to the best advantage and that there are no excesses under any of these sub-heads while there are savings under others. For this reason the Railway Board have also found themselves unable to distribute supplementary grants obtained from the Assembly about the close of the year between the various sub-heads. Their opinion is that for the purposes of their general control it is most important that the additional grant to be placed at the disposal of an administration under each separate Demand should be definitely fixed and that the administrations should be left to distribute these among the various sub-heads as required, because they have in their possession much later information than the Railway Board have as to actual requirements, and, whatever allotments are made by the Railway Board, they not only can but should change them if and as soon as necessary, even though it is immediately after they are informed of these allotments. The Audit Department point out that (a) a grant should be considered as voted according to the distribution in the Pink Books and (b) a supplementary grant should be distributed in the same detail as an original grant. From the strict theory of appropriation audit they may be right, but from the practical standpoint a formal redistribution by the Railway Board according to the Agent's redistribution would be an unnecessary waste of time. A reconciliation of these points of view in relation to supplementary grants will be achieved by making the distribution a division by railways, but this will not settle the question of the original distribution. In the case of supplementary grants if the Railways are taken as sub-heads the Railway Board would be in a position to satisfy constitutional requirement on which emphasis is laid by the Audit Department, by distributing the supplementary grant by sub-heads. At the same time they would not have to face the practical absurdity of making detailed distributions which would be liable to be modified immediately thereafter.

The Auditor General concurred in this view in so far as supplementary grants were affected but said that the decision regarding the original grant depended on how far the Pink Books were

considered as receiving the imprimatur of the legislature. Audit must have some authoritative distribution against which to exercise a check.

It was explained that it would be sufficient if the Agent's redistribution were assumed to have Railway Board authority, the Pink Books being considered merely explanatory memoranda, and the Committee agreed that this course should be followed.

10. *Paragraphs 43 and 44 of the Director's Report—Railway Schools.*—The Financial Commissioner informed the Committee that the matter was receiving attention but that he was unable to say when it would be settled. The Committee desired to have a report next year.

11. *Paragraph 56 of the Director's Report—Postponement of Adjustment for want of funds.*—The Committee was informed that this was not a postponement for want of funds but that when the Agent was asked for sanction to write off Rs. 85,000 on account of obsolete stores he issued instructions to find out whether they could not be utilised elsewhere. As a result of this, the major portion of these stores was utilised elsewhere and the amount that had actually to be written off ultimately was only Rs. 14,000.

12. *Paragraph 73 of the Director's Report—Over-allotment.*—The Auditor General explained to the Committee that under the convention agreed to by the Public Accounts Committee over-allotment was allowed only in respect of grants 4, 5 and 6, but in 1931-32 the Railway Board had extended the convention to other grants. The Financial Commissioner gave the following explanation to the Committee :

“ About the end of the year 1931-32 certain orders were issued by the Railway Board authorising certain railways to incur expenditure up to a definite maximum in excess of sums originally allotted to them. The Railway Board were satisfied from the progress of the actual expenditure that the total grant would not be exceeded, and that there would be savings in the same grant on other railways to cover the extra expenditure incurred on the authority of these orders. While it was probable that in the particular railways in question additional funds would be necessary, it was at the same time difficult to say where exactly the savings would occur. Apart from the fact that it was at the time practically too late to ask the Assembly to vote a supplementary grant, it was considered that it would be improper to ask for such a grant when it was fairly certain it would not be required. It might be objected that the course of action taken by the Railway Board practically amounted to allotment of funds in excess of the total granted by the Assembly, or at least to authorisation of expenditure beyond what was permitted by the Assembly. The only other course open to the Railway Board, apart from asking for an additional unnecessary grant, was to take no action on the request of the railway administrations. In my view, this would have been open to serious objection, and would have been tantamount to

the Railway Board abdicating their functions. If railway administrations are expected to obtain the sanction of the Railway Board for additional expenditure when they cannot, by the exercise of all possible economy, keep within their original grant, it is obvious that any such demand must receive careful consideration ; and if the Railway Board are satisfied that a certain amount of additional expenditure is inevitable on a particular railway, but that, taking railways as a whole, no additional expenditure is likely, it seems to me that the only proper and practically correct course for the Railway Board is to authorise whatever additional expenditure they consider necessary, holding themselves responsible to the Assembly if the total is thereby exceeded. Such orders can, if considered necessary, be brought to the notice of the Public Accounts Committee. While the consolidated appropriation account would take no cognizance of such an order, as any formal over-allotment of funds is *ultra vires*, the appropriation account of the individual railway concerned should take note of it, as it is the authority for the railway administration to spend the money. Such an authorization is, however, quite distinct from an additional allotment and will not be treated as affecting the grants ; but against any expenditure in excess of the formal allotments made a note will be recorded showing to what extent the excess was authorized by the Railway Board. In 1931-32, the grants affected and the amounts are as follows :

	Rs.
Grant No. 4	16,28,000
Grant No. 6	1,17,000
Grant No. 10	37,42,000
Grant No. 11	25,000

The last is special, because the Railway Board were aware at the time of issuing the orders of the existence of credits due to the transfer of survey expenditure to capital on the commencement of construction ; but these credits were in railways in which no expenditure was expected and no grants had been allotted ; and partly in deference to what was supposed to be the audit point of view that negative appropriation was *per se* objectionable, the orders did not mention these credits. There was not in this case even a technical over-allotment. "

The Committee did not see any reasons for agreeing to the extension of the convention to the other grants, but recognised that it might be necessary in very exceptional cases to depart from the convention and that in such cases the Committee would consider the matter when it reviewed the accounts of the year.

13. The Committee then adjourned till 2-30 P.M.

Proceedings of the Twelfth Meeting of the Public Accounts Committee held on Thursday, the 10th August 1933, at 2-30 P.M.

PRESENT :

The Hon'ble Mr. A. H. LLOYD, Finance Member, *Chairman*.

Mr. T. N. RAMAKRISHNA REDDI.

Kunwer Hajee ISMAIEL ALIKHAN.

Mr. S. C. MITRA.

Mr. K. P. THAMPAN.

Mr. MUHAMMAD ANWAR-UL-AZIM.

Mr. RAMSAY SCOTT.

Dr. R. D. DALAL.

} *Members.*

Mr. A. C. BADENOCH, Auditor General.

Mr. J. C. NIXON, Director of Railway Audit.

The Hon'ble Mr. J. B. TAYLOR, Financial Secretary.

} Were also present.

Mr. P. R. RAU, Financial Commissioner, Railways.

Mr. V. S. SUNDARAM, Director of Finance.

Mr. L. S. DEANE, Controller of Railway Accounts.

} *Witnesses.*

14. The Committee took up the Auditor General's Memorandum of doubtful cases of 'new service' appearing in the accounts of 1931-32 (Appendix VI). The Auditor General had included in the Memorandum two cases, *viz.* (1) additions and alterations to the locomotive running shed at Bhusawal and (2) installation of wireless sets on railways. After full discussion the Committee considered that, on the assumption that the additions and alterations involved merely an extension of the facilities for carrying out running repairs, it was debatable whether the first item should be classified as an item of 'new service', but in view of the amount involved they decided that it should be treated as an item of 'new service'. As regards the second item also the Committee decided that it should be treated as a 'new service'.

15. In accordance with the recommendations of the Public Accounts Committee in their Report on the accounts of 1928-29, a reserve provision is being included in the Railway estimates to meet unforeseen emergencies. The Auditor General raised the question whether the Railway Board could utilise such provision to meet expenditure on an item of 'new service' without obtaining a specific note from the Assembly as required by the rules. The Committee decided that the existence of this provision did not absolve the Railway Board from obtaining a specific vote from the Assembly as required by the Statutory rules for expenditure on a 'new service'. In cases of real emergency, however, *i.e.*, where delay in executing a work was likely to affect the public interest seriously, the Railway Board could utilise this provision for an item of 'new service' but should bring the matter to the notice of the Assembly as soon as possible. In other cases the Railway Board should obtain a specific vote from the Assembly for every item of 'new service' (possibly by a token vote) even if expenditure could be met from the emergency provision.

16. Paragraphs 96—98 of the Director's Report.—*Defective Rules of Allocation.*—The Financial Commissioner informed the Committee that, as stated

at the previous meeting, the general question was still under consideration but that certain individual points had been settled.

17. *Paragraphs 102 and 103 of the Director's Report—Allocation of expenditure on rolling stock.*—The Committee was informed that the question was under the consideration of the Railway Board. The Committee desired to have a report next year.

18. *Paragraphs 105 and 113 of the Director's Report.*—The Committee desired to discuss these paragraphs with the Director of Mechanical Engineering, Railway Board.

19. *Paragraph 107 of the Director's Report and paragraph 9 of the Auditor General's letter.*—The Auditor General raised the issue of how far any expenditure incurred as a matter of policy but admitted to be unjustified financially should be left at the debit of capital. The Financial Secretary explained that the main question was whether expenditure which was unjustified financially was to be incurred at all. If it had to be incurred the question whether it should be debited to capital or revenue should follow the ordinary rules of classification. An impossible situation would arise if it was held that only expenditure which was later found to be financially remunerative should be debited to capital as a logical sequence of this would be the valuation of the total railway assets according to their earning capacity. The Committee generally agreed with the Financial Secretary.

20. The Committee then adjourned till 11 A.M. on Friday, the 11th August 1933.

Proceedings of the Thirteenth Meeting of the Public Accounts Committee held on Friday, the 11th August 1933, at 11 A.M.

PRESENT :

The Hon'ble Mr. A. H. LLOYD, Finance Member, *Chairman.*

Mr. T. N. RAMAKRISHNA REDDI.

Kunwer Hajee ISMAIEL ALIKHAN.

Mr. S. C. MITRA.

Mr. K. P. THAMPAN.

Mr. MUHAMMAD ANWAR-UL-AZIM.

Mr. RAMSAY SCOTT.

Dr. R. D. DALAL.

} *Members.*

Mr. A. C. BADENOCH, Auditor General.

Mr. J. C. NIXON, Director of Railway Audit.

} *Were also present.*

Mr. P. R. RAU, Financial Commissioner, Railways.

Mr. V. S. SUNDARAM, Director of Finance.

Mr. L. S. DEANE, Controller of Railway Accounts.

Mr. J. M. D. WRENCH, Director, Mechanical Engineering,
and Chief Controller, Standards.

} *Witnesses*

21. *Paragraph 105 of the Director's Report.*—The Committee discussed with the Director of Mechanical Engineering, Railway Board, the case relating to the relaying of the Parbatipur Siligari Section with 90 pound rails. When this line was converted from metre gauge to broad gauge in 1926, new 75 pound

rails were used, but within three years the track showed signs of weakness and at places the rails fractured. It had been suggested that the principal reason for the failure of the track, was the introduction of a heavier type of engine which the 75 pound rails could not carry; but the Director of Mechanical Engineering explained to the Committee in detail that this was not the true reason, as in the case of the XB type of engines used on this section the stress on the rail was actually less than in the case of the older type of engines. He stated that the actual causes of deterioration of the track were increase in traffic and the nature of ballast.

22. *Paragraph 113 of the Director's Report.*—Another case which the Committee discussed with Mr. Wrench was the purchase of a large number of YF class engines in 1929 for use on certain branch lines. The Committee was informed that this type of engine was purchased as the railways wanted an engine with a wide fire box so as to use low grade fuels. Though the engines initially proved defective and derailments occurred in some instances, the Railway Board had recently been able to remedy the defects at a small cost and the engines were now reported to be working quite satisfactorily.

23. *Paragraph 116 of the Director's Report and paragraph 10 of the Auditor General's letter—Balance Sheets of Railways.*—The Director of Railway Audit proposed that the double account system should be used for preparing the balance sheets of the railways, *i.e.*, capital and assets should be omitted from the balance sheets and constituted into a separate capital statement giving greater details of the assets. The Committee generally accepted the proposals in the Financial Commissioner's Review but left the details to be settled by the Director of Railway Audit in consultation with the Financial Commissioner.

24. *Paragraphs 117-123 of the Director's Report.*—The Director of Railway Audit also raised the question whether in view of the difficulties involved in preparing accurate balance sheets and profit and loss accounts of individual railways such accounts should continue to be prepared. The Committee agreed with the Auditor General and the Financial Commissioner that profit and loss accounts of individual railways should continue to be prepared as accurately as practicable as the Committee was much interested in the financial results of the working of individual railways and such accounts would afford them some basis for comparing efficiency of work. The preparation of balance sheets of individual railways was not so important but the same treatment might be applied to them.

25. *Paragraph 128 of the Director's Report and paragraph 11 (a) of the Auditor General's letter—Contracts.*—The Committee was informed that detailed instructions embodying all the important principles had been issued some time ago.

26. *Paragraph 138 of the Director's Report and paragraph 11 (b) of the Auditor General's letter—Recovery of cost of stone supplied to a contractor.*—As the Director of Railway Audit was of opinion that the Legal Adviser would not have advised payment if he had been consulted before the payment was made, the Committee desired that the Railway Board should now consult* the Legal Adviser as to whether, if he had been consulted at the proper time, he would have been able to advise that the amount was not payable under the contract

**Vide* Appendix X1 since circulated.

and in that case whether a successful attempt could be made to recover it from the contractor. The Committee also desired that, if the Legal Adviser was prepared to give a clear opinion on the case, a description of the facts of the case should be circulated* to Railway Administrations for guidance.

27. *Paragraphs 169-172 of the Director's Report and paragraph 11 (c) of the Auditor General's letter—Stores balances.*—The Committee was informed that the increase in the percentage of closing balance to issue in 1931-32 was mainly due to the stoppage of a number of works as a result of the economy campaign. The Committee noted with satisfaction that the stores balances had been reduced from 23,67 lakhs in 1921-22 to 11,82 lakhs in 1932-33.

28. *Paragraph 177 of the Director's Report—Periodical revaluation of stores.*—As the Railway Board was not yet in a position to express an opinion on the points raised in this paragraph, the Committee desired that it should be included in the next year's report together with the report of the further action taken in the matter.

29. *Paragraph 233 of the Director's Report and paragraph 11 (d) of the Auditor General's letter—Defalcation by a clerk on the North Western Railway.*—The Financial Commissioner promised to circulate† a memorandum to the members of the Committee before the next meeting.

30. *Paragraph 242 of the Director's Report.*—In this paragraph the Director of Railway Audit has brought to notice a case in which the negotiation of an agreement about certain collieries had been pending for over 20 years. The Committee desired that in order to avoid such delays the Railway Board should consider whether they could not obtain an annual report from all the railways showing agreements the conclusion of which was outstanding.

31. The Committee then adjourned till 2 P. M.

Proceedings of the Fourteenth Meeting of the Public Accounts Committee held on Friday, the 11th August 1933, at 2 P.M.

PRESENT :

The Hon'ble Mr. A. H. LLOYD, Finance Member, *Chairman.*

Mr. T. N. RAMAKRISHNA REDDI.

Kunwer Hajeo ISMAIEL ALIKHAN.

Mr. S. C. MITRA.

Mr. K. P. THAMPAN.

Mr. MUHAMMAD ANWAR-UL-AZIM.

Mr. RAMSAY SCOTT.

Dr. R. D. DALAL.

} *Members.*

* *Vide Appendix XI since circulated.*

† *Vide Appendix X, since circulated.*

Mr. A. C. BADENOCH, Auditor General.	}	Were also present.
Mr. J. C. NIXON, Director of Railway Audit.		
The Hon'ble Mr. J. B. TAYLOR, Financial Secretary.		
Mr. W. M. BRAYSHAY, Chief Commissioner, Railways.	}	Witnesses.
Mr. P. R. RAU, Financial Commissioner, Railways.		
Mr. V. S. SUNDARAM, Director of Finance.		
Mr. L. S. DEANE, Controller of Railway Accounts.		

32. *Paragraph 11 (g) of the Auditor General's letter—Unsatisfactory state of stores accounting on the East Indian Railway.*

Paragraph 275 (1) of the Director's Report.—The Director of Railway Audit desired that consideration of this paragraph should be postponed as he wanted to go into greater detail and explain the matter in the next year's report.

33. *Paragraph 275 (2) and 275 (3) of the Director's Report.*—The Committee was informed that steps had been taken to improve matters.

34. *Form of Demands for Grants.*—The Financial Commissioner explained to the Committee that under the present system the total working expenses of railways were shown under two demands and under each demand there were a large number of sub-heads. These sub-heads did not correspond to the heads under which accounts were kept and consequently the railway administrations had to rearrange all the figures in their accounts in order to enable them to compare the expenditure with the grants. This not only involved a lot of unnecessary labour but also made it very difficult for the railway administrations to watch the progress of expenditure against the grant. It was therefore necessary to recast the demands so as to improve the current control of expenditure. He stated that the present system should be considered to have broken down and that a change was necessary but left it to the Committee to decide whether in view of the impending constitutional changes a change in the form of demands should be effected now or should be left over till the new constitution came into force. The Committee decided that the change should be introduced immediately.

35. The Committee generally accepted the proposals of the Financial Commissioner as regards the form of the demands which it was explained had yet to be considered by the Government of India.

36. As regards the division of working expenses of railways into the various demands, there were two alternatives: (1) to make each railway a separate demand and the various accounts abstracts into sub-heads under the demands or (2) to make each abstract a separate demand and each railway a sub-head under the demands. The Financial Commissioner favoured the second alternative subject to a convention being established that a saving under one demand should be considered as a set-off against an excess in another. After considerable discussion the Committee agreed with the Financial Commissioner.

37. The Committee adjourned till 11 A.M. on Saturday, the 12th August 1933.*

* The meeting held on the 12th August did not relate to Railways.

Report of the Public Accounts Committee on the accounts of 1932-33 other than Railways.

I. Excess Votes.

1. *General Summary.*—The following table compares the total grants voted by the Legislative Assembly with the total expenditure against those grants :

(In lakhs of rupees.)

	Original grant.	Supplementary grant.	Final grant.	Actual expenditure.
Expenditure charged to revenue ..	27,21	94	28,15	28,25
Expenditure charged to capital ..	1,33	9	1,42	1,24
	28,54	1,03	29,57	27,49
Disbursements of loans and advances ..	13,38	..	13,38	8,41
	41,92	1,03	42,95	35,90

2. The following tables compare the non-voted appropriations sanctioned by the Government of India with the total expenditure against such appropriations :

(In lakhs of rupees.)

	Original grant.	Supplementary grant.	Final grant.	Actual expenditure.
Expenditure charged to revenue ..	80,19	—1,27	78,92	78,73
Expenditure charged to capital ..	17	10	27	31
	80,36	—1,17	79,19	79,04

3. The position regarding total expenditure, voted and non-voted, is as follows :

(In lakhs of rupees.)

		Original grant.	Final grant.	Actual expenditure.
Expenditure charged to revenue ..	..	1,07,40	1,07,07	1,04,98
Expenditure charged to capital ..	..	1,50	1,69	1,55
Total expenditure ..	..	1,08,90	1,08,76	1,06,53
Disbursements of loans and advances ..	..	13,38	13,38	8,41
Total ..		1,22,28	1,22,14	1,14,94

4. *Savings*.—There was thus a saving of 7,20 lakhs or 5·9 per cent. in the final grant. The percentage compares as follows with the results of previous years :

	1928-29.	1929-30.	1930-31.	1931-32.	1932-33.
Expenditure charged to Revenue	1·1	·7	·3	3·2	1·9
Expenditure charged to Capital	20·2	12·9	15·9	11·4	8·3
Disbursements of loans and advances.	—·3	—·3	—20·3	10·8	37·1
Combined percentage	1·4	·9	—·7	4·3	5·9

5. The following table compares the percentage of savings under voted grants for expenditure proper (*i.e.*, exclusive of disbursements of loans and advances) with that of savings under non-voted appropriations :

Year.	Voted.	Non-voted.
1928-29	5·7	·2
1929-30	·8	1·1
1930-31	3·9	—·2
1931-32	9·6	1·0
1932-33	7·0	·2

6. *Excesses*.—In the following cases the actual expenditure exceeds the voted grants and an excess vote of the Assembly is accordingly required :

Item No.	Number of Grant.	Amount voted by the Assembly.	Actual expenditure.	Excess.
		Rs.	Rs.	Rs.
1	22.—Irrigation, etc.,—charged to Revenue	3,84,000	4,36,133	52,133
2	26.—Interest on Miscellaneous Obligations	49,49,000	50,93,368	1,44,368
3	48.—Survey of India	15,79,000	16,39,402	60,402
4	63.—Aviation	9,05,000	9,31,939	26,939
5	67.—Emigration—External	1,93,000	2,21,675	28,675
6	70.—Indian Stores Department	6,61,000	7,44,153	83,153
7	74.—Superannuation Allowances and Pensions.	73,99,000	76,60,394	2,61,394
8	76-B.—Miscellaneous Adjustments between the Central and Provincial Governments.	22,000	22,345	345
9	77.—Refunds	94,77,000	1,06,77,228	12,00,228
10	82.—Andamans and Nicobar Islands	31,49,000	31,50,207	1,207
11	96.—Commuted value of Pensions	40,61,000	49,84,730	9,23,730

7. A brief explanation of each excess is given below :

Item 1.—The excess was mainly due to the absence of provision for expenditure in the North-West Frontier Province for the first seventeen days of April 1932.

Item 2.—The voted charges under this Grant represent mainly payments to the Posts and Telegraphs Department for Savings Bank and Cash Certificate work. The excess was due to an increase in the number of Savings Bank and Cash Certificate transactions beyond that anticipated when the supplementary grant was obtained under this head.

Item 3.—The excess was due to smaller recoveries owing to the fall in the demand for mathematical instruments.

Item 4.—The excess was mainly due to the late receipt of debits from the Posts and Telegraphs Department on account of wireless facilities.

Item 5.—The excess was due to the fact that provision for losses by exchange on advances to the South Africa Agency resulting from the abandonment of the gold standard by England could not be made for want of definite information.

Item 6.—The excess was due to smaller recoveries from indenting departments on account of the purchase and inspection of stores owing to the financial depression and downward trend of prices.

Item 7.—The excess was mainly due to heavier retirements than anticipated under the retrenchment terms.

Item 9.—The excess occurred mainly under customs refunds and is due to the late adjustment of debits on account of the refunds of excise duty on motor spirit and kerosene in Burma.

Item 11.—The excess was due to the abnormal increase in the amount of pensions commuted, as the result of a large number of individuals retiring on account of retrenchment coupled with economic pressure affecting pensioners.

8. We recommend that the Assembly assent to the excess grants detailed in paragraph 6 above, which the Governor-General in Council will place before them in due course.

9. Rule 52 (2) of the Indian Legislative Rules requires that we should bring to the notice of the Assembly every reappropriation from one grant to another, every reappropriation within a grant which is not made in accordance with such rules as may be prescribed by the Finance Department and all expenditure which the Finance Department have requested should be brought to the notice of the Assembly. During the year there was only one reappropriation which was not made in accordance with the rules prescribed by the Finance Department. A Collector of Customs sanctioned, under a misapprehension, a reappropriation of Rs. 1,900 from the sub-head "Pay of officers" under Grant No. 16-Customs, which under the rules required the previous approval of the Finance Department.

II. Important Comments on matters arising out of the accounts for 1932-33.

10. *Accuracy of budgeting control over expenditure, etc.*—From the point of view of accurate estimating and efficient control of expenditure the year 1932-33, like its predecessor, was one of difficulties. A good deal of the savings of the year was due to the fact that in many cases further retrenchment was effected after the budget estimates were framed. In some cases, such as pensions and commuted value of pensions, there were particular difficulties in making accurate estimates even during the course of the year. Taking all these

factors into consideration, the results of the year do not seem to be as a whole unsatisfactory. We consider it, however, desirable that, as suggested by the Accountant General, particular attention of the various Departments should be drawn to the detailed results of the 1932-33 Appropriation Accounts in connection with the current control of expenditure.

In the Posts and Telegraphs Department, although we recognise that some progress has been made, there is still room for considerable improvement. We were furnished with a memorandum (Annexure B to the Proceedings of the third meeting) on the subject which explains the various steps taken, or under contemplation, to remedy the defects noticed, and to effect improvements in the procedure concerning budgeting and control of expenditure. We are glad to hear from the Auditor General that he has definitely gained the impression that the Posts and Telegraphs authorities are now going much more deeply and in much more detail into these matters, and that he is satisfied with what they are doing and what they propose to do in future.

11. *Financial results of irrigation systems, residential buildings, etc.*—We went through the very interesting and lucid review furnished by the Accountant General, Central Revenues, of the financial results of irrigation systems, the administration of residential buildings, the financial prospects of the Vizagapatam Harbour Project, and the analysis of loans and advances bearing interest. The last item has been included in the report for the first time this year, and we hope that its value will be still further enhanced when it is supplemented by certain further important information regarding the various loans and advances as promised by the Auditor General.

12. *Trading results of Government of India commercial concerns.*—The Accountant General, Central Revenues, has in paragraphs 20 to 29 of the Commercial Appendix given a comprehensive review of the financial results of all the Central Government commercial concerns and indicated in a clear form and comparatively brief compass the special features of the accounts of these concerns. We entirely agree with the following remarks of the Auditor General regarding the presentation of the accounts of these concerns :

“I am specially struck on this occasion with the improvement which has been effected in the presentation of the accounts of Government commercial concerns contained in the Accountant General, Central Revenues' Commercial Appendix to his report. In my opinion the Financial Reviews of the various accounting officers have, in general, now reached a higher standard than before, both in the fullness and the suitability of the information supplied; and the work of my Auditors has thus been correspondingly simplified. I note also that, in general, despite adverse circumstances the financial administration of a number of the concerns has, in the commercial sense, been more successful than for some years past.”

In this connection, the Auditor General raised the question whether, in view of the considerable improvement in the commercial accounts presented to the Committee and in view of the fact that the Committee had before them at present figures of a number of years for purposes of comparison, advance reviews of the subsequent year based on unaudited figures should be continued.

He expressed the opinion that these reviews should be discontinued, as they were, on the whole, objectionable from the Auditor's point of view, being based on unaudited figures. We agree with the Auditor General that these advance reviews may be discontinued, but the departmental witnesses should, if required by the Committee, be in a position to furnish information regarding the working of any particular commercial concern in the subsequent year.

13. *Financial position of the Indian Posts and Telegraphs Department.*—We have perused the memorandum furnished by the Director General, Posts and Telegraphs (Annexure A to the Proceedings of the third meeting), on the future commercial prospects of the Indian Posts and Telegraphs Department and on the various measures taken to reduce the expenditure of the Department. We are glad to note that the loss in the working of the Department has been reduced from about a crore in 1931-32 to about 15 lakhs in 1934-35, which may rise to about $\frac{1}{2}$ a crore if the cut in pay is restored. We hope that, with the various measures, which the Department propose to take to reduce the loss further, the department will be in a position to present a balanced budget in the near future.

14. *Creation of unauthorised excluded funds in the North-West Frontier Province.*—The Auditor General brought to our notice that certain excluded funds were created by the local Administration in the North-West Frontier Province without proper sanction. One such fund is the khassadar's fund which is financed by money drawn from Government treasury on monthly

- (1) contingent bills at the rate of 1/12th of the annual provision made in the sanctioned budget on account of khassadar contingencies, and
- (2) establishment bills prepared on the basis of the sanctioned strength of the khassadars irrespective of the fact whether the persons for whom pay was drawn were actually in Government service or not.

Out of the amounts thus drawn and credited to the funds, payments are made as and when occasion arises. Another such fund is the motor lorry depreciation fund, which has been created by drawing from the treasury 25 per cent. of the estimate of the annual cost of upkeep and crediting it to the fund. After going into the matter fully we have come to the conclusion that these funds should be abolished immediately. We also consider it desirable that a list of all excluded funds maintained in the Province should be obtained as quickly as possible and examination should be made to see whether all, or any of them, should not be abolished.

15. *Report of the Military Accounts Committee.*—We append the report submitted by the Military Accounts Committee (Annexure A) constituted to make a preliminary examination of the Military Appropriation Accounts and connected documents. We endorse the recommendations and observations of the Committee, both in its report and in the accompanying proceedings of its meetings.

III. Miscellaneous observations.

16. As in the previous years, we append to our report minutes of our proceedings which we consider should be treated as part of the report. We assume

that in accordance with the established practice action will be taken by Departments as necessary on the observations and recommendations contained in these proceedings.

17. We wish to thank the Auditor General for his lucid comments on the various Appropriation Accounts and specially the "key statement" attached to his letter for the first time this year which greatly facilitated our work, and also for the assistance which he rendered to us throughout the proceedings. We also desire to record that the Appropriation Report of the Accountant General, Central Revenues, was very lucid and informative.

P. J. GRIGG.

M. C. RAJAH

T. N. RAMAKRISHNA REDDI.

S. C. MITRA.

K. UPPI.

ISMAIEL ALIKHAN.

B. DAS.

SHER MOHD. KHAN.

R. D. DALAL.

K. SANJIVA ROW.

Dated the 20th August, 1934.

ANNEXURE A.

Report of the Military Accounts Committee.

We were constituted in pursuance of the recommendations of the Public Accounts Committee of the year 1931-32 in paragraph 31 of their report to make a preliminary examination of the Military Appropriation Accounts and connected documents. In our task we received great assistance not only from the Auditor General and the Financial Adviser, Military Finance, but also from the Army Secretary and the Engineer-in-Chief.

2. The results of our examination of the Appropriation Accounts and connected documents are as usual embodied in the proceedings of our meetings (Annexure I) which should be treated as a part of our report, and it is unnecessary for us here to do more than to refer to the more important points.

3. We are glad to observe that in the Auditor General's view the financial administration of the year, so far as the control of expenditure in bulk is concerned, was active and alert and that the control exercised was commendably successful in its results. In this view we fully concur; and in our judgment there is ample evidence of the obvious desire of the Army authorities to secure every possible economy and strict control of expenditure and of the efficacy of the action which they have taken to this end.

On the other hand, the Director of Army Audit has deemed it necessary to call our attention to a number of instances of financial irregularity which, as the Auditor General has pointed out, reveal considerable laxity of view

and an insufficient sense of responsibility in financial matters on the part of individuals. Though many of those instances are in themselves trivial, we agree with the Auditor General's view, and we are glad to be informed that it is generally accepted by His Excellency the Commander-in-Chief. But we have to recognise that in an organisation of the size of the Defence Services of India there is bound to be every year a certain number of irregularities ; they must be viewed with a due sense of proportion, and should not necessarily be taken as indicating that there is anything radically wrong in the financial administration as a whole.

4. *Authorised War reserves of stores.*—The Quartermaster General and the Master General of the Ordnance have furnished the necessary certificates in regard to the existence in stock of the authorised war reserves of stores on the 31st March 1933. Copies of these certificates are attached to our proceedings (Annexures IV and V).

5. *Review of Military Engineer Services expenditure.*—We have been through the lucid and informative review of expenditure on Military Engineer Services prepared by the Financial Adviser for the second year in succession. We agree with the Auditor General that while a certain measure of reform has been devised, there is scope for considerable improvement in the administration of the Military Engineer Services expenditure, especially in the matter of defining more exactly the scope of the original demand for the expenditure and conforming more closely to the scope of the demand as so defined. We had the assistance of the Engineer-in-Chief in examining some of the specific points raised in the review and in the report of the Director of Army Audit regarding Military Engineer Services expenditure. The various steps which the Army authorities propose to take in order to remedy the defects noticed and to improve the position as regards control of expenditure, regulation of contracts, etc., are mentioned in paragraphs 28—31 of our proceedings.

6. *Medical Store Depots.*—We understand that the cost of the Stores Section of the office of the Director General, Indian Medical Service, which is employed solely on work in connection with the Medical Stores Depots is not at present taken into account in calculating the cost of the drugs, etc. We entirely agree with the Auditor General that the cost of this Section should be taken into account, since otherwise the cost of drugs, etc., will not be correctly evaluated. It does not of course follow, and is in fact unlikely, that as a result it will be possible to increase the prices charged to Provincial Governments, etc. Those must depend on market prices.

7. *Financial irregularities.*—The most serious cases of individual irregularity mentioned in the Report of the Director of Army Audit are, in our opinion, those in which false or misleading certificates were recorded, or incorrect information was supplied to audit in other ways. In some of these cases the offence was deliberate in order to conceal an irregularity already committed ; in one case the object was to enable the administration to spend money before the 31st of March. The correct recording of original facts in bills, acquittances, vouchers, measurement books, certificates, etc., is essentially an administrative requirement and it is the duty of the responsible departmental officers to ensure the strict accuracy of these departmental records. Audit is not in direct contact with the original facts and has to depend in the execution of its functions on the accuracy of these departmental records ; and it becomes almost

impossible for audit, unless supported by administrative co-operation, to detect irregularities if these documents are not in accordance with the facts or if false certificates are recorded. For example, we were told that in one of the cases referred to it was due to a pure accident that audit happened to obtain evidence which proved that an explanation furnished by the executive for certain heavy expenditure was not in accordance with the facts and that a fraud had taken place. We view with grave concern the fact that such false certificates were furnished deliberately in some cases, and we therefore welcome orders to the following effect which, we were informed by the Army Secretary, are being issued under the direction of His Excellency the Commander-in-Chief:—

(a) *Improvement of supervision.*—It will be impressed on all senior officers that it is their duty to see that their juniors realise their financial responsibilities and exercise them properly.

(b) *Proper liaison with finance.*—The attention of all officers acting in an administrative capacity will be drawn to the importance of maintaining close and cordial relations with the accounts authorities throughout all stages of a financial transaction. They will also be made to realise the limitations of audit in detecting fraud without the co-operation of the Army authorities.

We fully agree with the Auditor General that such additions should be made to the orders to be issued as will ensure more effective co-operation with the statutory audit conducted by the Auditor General's department, as well as with the accounts authorities. We think it most important that every one concerned, Military Accounts and Audit authorities, should recognise that they are complementary parts of a single organisation whose duty it is to render mutual assistance to each other, so that the organisation as a whole may function with the greatest possible efficiency.

8. It is our usual practice to restrict our comments to general types of irregularity that are brought to our notice and our recommendations to the action required to prevent their recurrence; but one case has occurred in the year under report of so serious a character that we consider it necessary to refer to it specially. The facts are not disputed. A field officer signed a series of false certificates over a period of a year, some of them to the effect that he had not been provided with quarters when actually he was living in quarters provided for him, and others to the effect that his family was residing with him when it was found that his family was not residing with him during the period in question, in order to obtain for himself a small personal advantage of approximately Rs. 240 in lodging allowance and compensation for inferior accommodation. Similar action by a Civil officer would, so far as we can judge, have justified a criminal prosecution for cheating under Section 420 of the Indian Penal Code. No disciplinary action of any kind was taken against this officer; he was merely required to refund the sum of which, by his deliberately false statements, he had defrauded Government.

We were informed that so far as the field officer himself is concerned, it is held, as a matter of administrative principle, that no further action could be taken, since the order of the General Officer Commanding-in-Chief of the Command must be considered a final order. We do not wish to dispute that this is so, but, so far as we have been able to ascertain, Army Headquarters

have, up to the present at any rate, refrained from commenting to the General Officer Commanding-in-Chief of the Command on his failure to take disciplinary action in this case. We strongly recommend that they should do so.

9. We desire to record our warm appreciation of the work of Mr. Macleod who has been extremely helpful to the Committee during the period he was Financial Adviser.

P. J. GRIGG.

A. A. L. PARSONS.

S. C. MITRA.

K. UPPI.

K. SANJIVA ROW.

Dated the 18th August, 1934.

ANNEXURE I.

Proceedings of the Military Accounts Committee.

Proceedings of the First Meeting of the Military Accounts Committee held on Monday, the 25th June 1934, at 11 A.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, Finance Member, *Chairman*.

The Hon'ble Sir ALAN PARSONS, Finance Secretary.

Mr. S. C. MITRA.

Mr. K. UPPI SAHEB BAHADUR.

Sir ERNEST BURDON, Auditor General.

Lt.-Col. A. F. R. LUMBY, Army Secretary.

Mr. A. MACLEOD, Financial Adviser, Military Finance.

Mr. J. R. HOPE, Deputy Financial Adviser, Military Finance.

Lt.-Col. R. PRINCE, Military Accountant General.

Mr. L. J. PECK, Director of Army Audit.

} *Members.*

} *Were also present.*

The Committee took up the examination of Appendix A to the Appropriation Accounts prepared by the Financial Adviser, Military Finance. The Committee accepted the explanation given or the action taken in regard to the cases mentioned in the Appendix subject to the following remarks :—

2. *Item 1. Revision of Army Regulations.*—The Army Secretary explained that draft Defence Services (Classification, Control and Appeal) Rules had been framed to govern on the disciplinary side all civilians serving under the Army Department, and that, in addition, Basic Rules had been prepared in draft both for civilian personnel and personnel subject to the Indian Army Act and the Indian Air Force Act to serve as a foundation for the revision of the various existing Army Regulations. The Principal Staff Officers and the Military Finance authorities

should complete their preliminary review of the Basic Rules by the end of July 1934, when it is intended to begin the revision of each book of regulations in the light of the general principles the rules contain. The question of a code of regulations to govern civilians under the Army Department in matters other than those covered by the Classification, Control and Appeal rules is under separate consideration.

3. *Item 2 (i). Exhibition of losses due to sale of surplus and obsolete stores.*—The Auditor General presented a Memorandum (*Annexure II*) explaining the progress of the investigation of this subject and the steps that are being taken during the current year for the compilation of statistics and for their examination by the financial control authorities and the Director of Army Audit and stated that any conclusions that might be drawn from the current year's experiment would be intimated to the Committee next year.

Item 2 (ii). Losses on sale of waste and scrap in Ordnance and Clothing Factories.—It was agreed that this subject should be treated on its merits in strict accordance with the orthodox procedure relative to the preparation of commercial accounts and that, therefore, it should not be combined with item 2 (i) above.

4. *Item 3. Method of Costing in Medical Store Depots.*—The item was postponed for consideration with paragraph 4 (1) of the Auditor General's letter on the commercial accounts of Army manufacturing concerns

5. *Item 4. Items to be debited to the Civil Grant for the expansion of the Territorial Forces.*—The Army Secretary explained to the Committee that orders have been issued that the entire cost of Units of a certain Class, namely University Training Corps and Urban Battalions, shall be debited to the so-called "Civil Grant". As regards the outstandings in respect of previous years, no disagreement remains on any points of principle and the amount to be refunded to Civil is being calculated in consultation with the Director of Army Audit.

6. *Item 7. Correct exhibition of stores, apparatus and plant in the books of the holders.*—The Financial Adviser explained that the procedure regarding the exhibition of stores in all departments was examined and found quite suitable. The particular case which gave rise to this recommendation was an exceptional one.

7. *Item 9. Question of the reduction of the total estimate of expenditure on special programme measures in view of the fall in prices.*—The Army Secretary explained that it now seemed that the programme could be completed for about Rs. 9.75 lakhs against the original Rs. 10 crores. In fact if Government were in a position to complete the programme or a substantial part of the outstanding items while prices were still ruling low and if it were possible to obtain the balance of the equipment required within the same time, even larger reduction might be made, but at present there was no indication of either of these possibilities, *vide* Annexure III which explains the position more fully.

The Committee took up the consideration of paragraph 4 of the Auditor General's letter along with the above item. The Auditor General explained that it was agreed that a formal progressive account of the transactions of the Defence Reserve Fund supplemented by an analysis of

balances would be included in the next year's Appropriation Accounts. As regards the extension of the Fund to serve other purposes, the Financial Adviser stated that certain equalisation allotments were at present included in the Defence Reserve Fund, but an analysis of the balances would show these items separately. The suggestion that all the reserves for unforeseen expenditure should be unified and held in the Defence Reserve Fund was not accepted. The Committee agreed with the Auditor General that the Military Engineer Services Reserve should be included in the budget under the appropriate service head, but that its control should be vested in the Army Authorities responsible for the general control over Army expenditure as a whole.

8. *Item 11. Revision of rules for the Depreciation Reserve Fund of Ordnance and Clothing Factories.*—The Auditor General explained that this involved intricate and technical questions of accounting requiring very careful examination and that for this he required further time.

9. *Paragraph 3 of the Auditor General's letter.*—The Committee agreed with the Auditor General that, so far as the control of Army expenditure in bulk was concerned, the Financial administration of the year was active and alert and that the control exercised was commendably successful in its results.

10. *Paragraph 5 of the Auditor General's letter.*—It was explained to the Committee that items 11 and 12 in the list of items of expenditure which had so far not received the sanction of competent authority were still under investigation and a further report would, if necessary, be made to the Committee next year. As regards the inability of audit to exercise an effective check over the balances of stores held on charge by units, the Army Secretary explained that steps had been taken to revise the present Equipment Tables.

11. *Paragraph 6 of the Auditor General's letter—Review of Military Engineer Services Expenditure.*—The Committee agreed with the Auditor General that, while a certain measure of reform had been devised, there was scope for considerable improvement in the administration of the Military Engineer Services expenditure especially in the matter of defining more exactly the scope of the original demand for the expenditure and conforming more closely to the scope of the demand as so defined. The Committee desired, however, to examine the Engineer-in-Chief in regard to Military Engineer Services expenditure in general and also in regard to certain specific matters, e.g., the regulation of contracts, brought to notice by the Financial Adviser and the Director of Army Audit.

12. *Paragraph 7 of the Auditor General's letter—Expenditure on special programme measures.*—The Committee was informed that the Military authorities accepted the correctness of the facts embodied in this account and in the supplementary information furnished by the Financial Adviser.

13. *Paragraph 8 of the Auditor General's letter—Stores Transactions.*—The Committee agreed with the Auditor General that the Army Administration were not at present in a position to assess what should be regarded as the normal level of stores consumption and balances as they had been passing through a period of disturbed conditions which had not yet come to an end. As regards the accounting difficulties in the way of producing accurate and easily verifiable figures for the statement, the Financial Adviser explained that certain suggestions of his to get over these

difficulties had been accepted by the Auditor General. The Committee agreed with the Auditor General that it was desirable (a) that the information should include a reference to the corresponding figures given in connection with the estimates of the year and (b) that there should be a presentation in parallel columns of the figures relating to each heading for a number of years. He suggested that such a presentation of the stores position would be extremely valuable when normal conditions are again reached, especially if the notable variations between particular years were explained in suitable foot-notes by the Financial Adviser.

14. *Paragraph 9 of the Auditor General's letter.—Account of special expenditure for the expansion of the Territorial Force.*—This is already dealt with in paragraph 5 preceding as a separate matter. Mr. Mitra desired to draw attention to the fact that the Army Authorities were not able to spend the sum (commonly called the "Civil Grant") appropriated annually for the expansion of the Territorial Force.

15. *Paragraph 10 of the Auditor General's letter.—Financial Irregularities.* The Army Secretary read to the Committee a statement prepared by the Military authorities at Army Headquarters giving the views of His Excellency the Commander-in-Chief on the various points brought out by the Auditor General and the steps he proposed to take in connection with them. His Excellency regretfully acknowledged that there was cause for the Auditor General's main criticisms, but was not prepared to agree that 'laxity of view' and 'insufficient sense of responsibility' in financial matters were as wide-spread as the Auditor General's remarks might be held to imply.

His Excellency has given orders that the serious attention of local Military authorities shall be drawn to the two following directions in which he considers improvement is most necessary :—

- (a) Improvement of Supervision. It is being impressed on all senior officers that it is their duty to see that their juniors realise their financial responsibilities and exercise them properly.
- (b) Proper Liaison with Finance. The attention of all officers acting in an administrative capacity will be drawn to the importance of maintaining close and cordial relations with the accounts authorities throughout all stages of a financial transaction. They will also be made to realise the limitations of audit in detecting fraud without the co-operation of the Army authorities.

Steps are also being taken to accelerate the revision and simplification of Army regulations, the intricacy of which leads at present to much misunderstanding between the financial and administrative authorities.

In connection with (b) above, the Auditor General asked the Army Secretary if he would be willing to arrange for the addition to the orders to be issued of such additional instructions as would ensure more effective co-operation with the Statutory Audit conducted by the Auditor General's Department as well as with the Accounts authorities. The Army Secretary agreed to bring the Auditor General's wish to the notice of the Adjutant General.

The Army Secretary also suggested that the Report of the Director of Army Audit might make some distinction between irregularities belonging to the year under review and those which are legacies of previous years.

The Committee after considerable discussion did not accept the suggestion as all cases are not included in the Report but only a few typical ones and it would therefore be misleading to judge from the number of cases included in the Report in any particular year. The Committee desired that the Report should include cases cleared up in time for inclusion in the Audit Report but really bad cases might be mentioned though they were not completed.

16. *Paragraph 20 of the Report of the Director of Army Audit.—Over-issue of marriage allowance.*—The Financial Adviser explained that this was a very rare case. It was also stated that a new fact had recently come to light which had necessitated the re-opening of the case and the further consideration of its disciplinary aspect.

17. *Paragraph 24 of the Report of the Director of Army Audit.—Irregular employment of an Engine Cleaner.*—The Auditor General raised the general question whether adequate machinery had even now been adopted for the internal check of sanctions and the scrutiny of original claims in the case of recurring payments. The Military Accountant General explained that he had gone into the position thoroughly and, so far as he could see, the checks at present exercised were as perfect as they could be. In the particular case referred to by the Director of Army Audit, the Engine Cleaner was originally employed by the Military Engineer Services who were competent to accord sanction, but he was subsequently transferred to the Medical Branch, who were not competent to employ him without the sanction of the Government of India.

18. *Paragraph 27 of the Report of the Director of Army Audit.—Failure to raise debits against His Majesty's Government in respect of certain pensions.*—The Military Accountant General explained that the original pension orders had to be issued within a certain limit of time with the result that the accounts authorities could not go in detail into the history of each pensioner. The Government of India realised at the time that there was a certain risk of wrong debits. Every pension was now being audited and he hoped to complete the work in about two years' time.

19. *Paragraph 40 of the Report of the Director of Army Audit.—Irregular disposal of fees for testing water.*—The Financial Adviser explained that under the rules a fee of Rs. 5 could be levied for each analysis and this was to be credited to Government. In addition, the Medical Officer-in-charge may, if he thinks fit, make an extra charge against non-Army authorities and distribute this extra amount among the staff. The Auditor General suggested that the new rules should make it clear that all the fees recovered should first be credited to Government and any portion to be paid to the staff should be drawn on a payment voucher. The Committee agreed to this suggestion.

**Proceedings of the Second Meeting of the Military Accounts Committee held on
Tuesday, the 26th June 1934, at 2-30 P.M.**

PRESENT :

The Hon'ble Sir JAMES GRIGG, Finance Member, <i>Chairman.</i>	} <i>Members.</i>
The Hon'ble Sir ALAN PARSONS, Finance Secretary.	
Mr. S. C. MITRA.	
Mr. K. UPPI SAHEB Bahadur.	

Sir ERNEST BURDON, Auditor General.
 Lt.-Col. A. F. R. LUMBY, Army Secretary.
 Mr A. MACLEOD, Financial Adviser, Military
 Finance.
 Mr. J. R. HOPE, Deputy Financial Adviser,
 Military Finance.
 Lt. Col. R. PRINCE, Military Accountant General.
 Mr. L. J. PECK, Director of Army Audit.

} Were also
 present.

20. *Paragraphs 43 to 47 and 60 of the Report of the Director of Army Audit.*
 —In these cases false or misleading certificates were recorded and in one case incorrect entries were made in the accounts and an incorrect reply given to Audit. In some cases the offence was deliberate in order to conceal an irregularity already committed; in one case the object was to enable the administration to spend money before the 31st of March. The correct recording of original facts in bills, acquittances, vouchers, measurement books, certificates, etc., is essentially an administrative requirement, and it is the duty of the responsible departmental officers to ensure the strict accuracy of these departmental records. Audit is not in direct contact with the original facts and has to depend, in the execution of its functions on the accuracy of these departmental records; and it becomes almost impossible for Audit, unless supported by administrative co-operation, to detect irregularities if these documents are not in accordance with the facts or if false certificates are recorded. For example, we were told that, in one of the cases referred to in these paragraphs it was due to a pure accident that Audit happened to obtain evidence which proved that an explanation furnished by the Executive for certain heavy expenditure was not in accordance with the facts and that a fraud had taken place. The Committee viewed with grave concern the fact that such false certificates had been furnished deliberately in some cases. They also desired to record their opinion that the punishment awarded in some cases was entirely inadequate and that the administrative authorities appeared to take a far too lenient view of cases where the furnishing of false certificates was deliberate.

21. *Paragraph 62 of the Report of the Director of Army Audit—Irregularities in the allotment and hiring of quarters.*—The Committee was informed that the first and the third of the cases mentioned were due to faulty administration and the second to force of circumstances and that the rules had since been amended to permit the local authorities to take, in future, action of the kind taken in the second case.

22. *Paragraph 64 of the Report of the Director of Army Audit—Non-recovery or short recovery of rent, water and electric charges and conservancy tax.*—The Committee was informed that certain improvements in procedure had already been given effect to and other improvements were under consideration.

23. *Paragraph 67 of the Report of the Director of Army Audit—Contracts.*—The Committee desired to discuss this with the Engineer-in-Chief.

24. *Paragraph 11 of the Auditor General's letter and paragraph 50 of the Report of the Director of Army Audit—Rulings of the Judge Advocate*

General.—The Committee was informed that, while the individual cases quoted by the Director of Army Audit were regarded as finally settled, the rulings given by the Judge Advocate General in connection with them were being carefully re-examined in consultation with the Legislative Department and that the final conclusions reached would be intimated to Audit and a statement placed before the Committee next year.

Army Manufacturing Concerns.

25. *Paragraph 2 of the Auditor General's letter.*—The Financial Adviser informed the Committee that the Reviews of the departmental officers on the trading accounts would in future be furnished to the Director of Army Audit by the 1st of March. The general review of the Financial Adviser on the commercial accounts as a whole would be furnished a little later. The Committee agreed with the Auditor General that the accounts would be more informative if they were presented, as is already done in the case of the Commercial Accounts of the Central Government (Civil), with two parallel money columns showing the figures of the preceding year and the current year side by side. They also agreed that the departmental review in respect of the current year's accounts was sufficient for their purpose, and that the review of the preceding year need not be reprinted.

26. *Paragraph 4 of the Auditor General's letter.*—The Auditor General informed the Committee that—

- (1) the cost of the Stores Section of the office of the Director General Indian Medical Service, was at present included correctly in the Profit and Loss accounts of the Medical Stores Depots though it was debited to the Civil budget and not to the Army budget, and
- (2) the cost of this Section was not taken into account in calculating the cost of the drugs, etc.

As regards (1), the Committee was given to understand that the question of the transfer of the cost to the Army Budget was at present under consideration. As regards (2), the Committee consider that it should be taken into account in calculating the cost of the drugs, etc. The Financial Adviser explained to the Committee that if this item were taken into account the cost of drugs, etc., would show a rise. The Auditor General contemplates that the costs of drugs, etc., should be correctly evaluated and a comparison made with market prices in respect of important representative items of medical stores and that the whole matter should then be further considered. The Financial Adviser intimated that, if the cost of drugs, etc., as so valued should rise, a corresponding increase could not be made in the prices actually charged to the Provincial Governments, etc., as this would almost certainly drive the customers to go elsewhere for their requirements. The Committee accepted this.

27. The Committee desired that in the "Statement comparing the cost of important items of manufacture with Home priced vocabulary stores rates" the cost of manufacture for two years should be given.

Proceedings of the Third Meeting of the Military Accounts Committee held on
Wednesday, the 27th June 1934, at 11 A.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, Finance Member, *Chairman*.

The Hon'ble Sir ALAN PARSONS, Finance Secretary.

Mr. S. C. MITRA.

Mr. K. UPPI SAHEB BAHADUR.

} *Members.*

Sir ERNEST BURDON, Auditor General.

Lieutenant-Colonel A. F. R. LUMBY, Army Secretary.

Mr. A. MACLEOD, Financial Adviser, Military Finance.

Mr. J. R. HOPE, Deputy Financial Adviser, Military Finance.

Lieutenant-Colonel R. Prince, Military Accountant General.

Mr. L. J. PECK, Director of Army Audit.

Major General G. H. ADDISON, Engineer-in-Chief.

} Were also
present.

28. Mr. Mitra asked the Engineer-in-Chief why tenders other than the lowest continued to be accepted in some cases without assigning any reasons and why it was not possible to accept the lowest tender in all cases when there was an approved list of contractors. The Engineer-in-Chief explained that, under the revised edition of the regulations for the Military Engineer Services issued in 1933, the officer who receives the tenders is bound to record his reasons in a case where he recommends acceptance of other than the lowest tender. As regards the acceptance of the lowest tender in all cases, the Engineer-in-Chief referred to a note in which he had explained that they were aiming at that ideal but there were certain difficulties mentioned below which they were trying to overcome :—

- (1) Contractors in India are not really contractors in the sense in which the term is understood elsewhere. In some places the approved list of contractors consists mostly of a number of local *banias* who are not in a position to understand the technical side of the work. At the same time, it is not advisable to exclude them altogether from the approved list, as this would reduce competition and raise prices. Some of the contractors on the approved list are good for some jobs but they may not be equally good for others. Regulations are being revised, one of the objects being that contractors shall be educated up to requirements so that ultimately there would be nobody on the approved list who will not be considered capable of carrying out any contract and the acceptance of the lowest tender will become largely automatic.
- (2) Quantity Surveyors expert in the preparation of accurate specifications and bills of quantities had not been available in India hitherto. The Secretary of State had recently approved a scheme providing for these and in pursuance thereof, a senior Engineer Officer who had just completed his tenure of the appointment of Chief Technical Examiner at the War Office and who possessed considerable Indian experience had arrived in India and

he hoped that the remaining surveyors would arrive early in the next trooping season.

- (3) A detailed examination of the present regulations is being undertaken to consider where amendments are necessary, and this will take time to complete.
- (4) In order to get a really efficient contract, detailed and accurate documents would have to be produced but where at a moment's notice accommodation for a large number of troops is needed or a similar urgent work had to be undertaken there would be no time to go into such detail.

29. As regards the Engineer-in-Chief's apparently depreciatory estimate of the quality and competence of contractors in India, the Auditor General remarked that the Public Works Reorganisation Committee of 1917 recommended that efforts should be made to stimulate the creation of a class of contractors who would be reliable and who would be able to undertake large works. The Public Works Department have since done their best to stimulate the growth of competent contractors, and it was his information that in many places, e.g., Delhi, there were a number of perfectly competent contractors to whom it would not be fair to apply the description given by the Engineer-in-Chief. One other recommendation of that Committee was that firms taking large Engineering contracts should be required to employ competent Engineering staff and contractors employed by the Public Works Department do actually conform to this requirement. He added that it was his experience that the Civil Public Works Department, who have to work under rather more restrictive conditions than the Military Engineer Services because they deal with expenditure which is subject to the vote of the Assembly, have not experienced the same difficulty in observing financial rules as the Military Engineer Services. The Engineer-in-Chief remarked that his note was not meant to be a general condemnation of contractors in India but that it applied only to certain particularly difficult areas, such as the tribal areas, and that though the Civil Public Works Department worked under more restrictive financial conditions than the Military Engineer Services, the latter owing to the unavoidable variations in Army policy, even in peace time, found it very difficult to bring the regulation of Military Engineer Services expenditure to a state of greater stability.

30. In reply to a question from the Auditor General the Engineer-in-Chief agreed that it was right to impress on all concerned, as suggested by the Financial Adviser, Military Finance, in the last sentence of paragraph 237 of the Appropriation Accounts, that the conditions to be complied with under the rules before a work is started are not mere "formalities" but should be observed before the work is actually put in hand in all but cases of the utmost urgency. It is, of course, a different matter when the conditions are waived by the Government of India themselves and in such cases objection should not be raised by Audit against the Military Engineer Services.

31. In paragraph 239 of the Appropriation Accounts the Financial Adviser had brought to notice two important points. The first is that, when Engineer Officers exercise the authority given to them by the regulations to extend contracts without calling for fresh tenders, particular vigilance is necessary at a time like the present to ensure that advantage is taken of falling prices. The

second point relates to a tendency to revise particular clauses in contracts on representations from contractors. The Financial Adviser observes that, while it is admitted that there may be exceptional cases in which unforeseen developments may necessitate the revision of a single clause of a contract, the power to revise is clearly one the exercise of which calls for discretion and if agreements are properly drawn occasions for using that power should be rare. The Engineer-in-Chief in reply to a question from the Auditor General stated that he accepted the views expressed in the whole of paragraph 239.

32. *Paragraph 67 of the Report of the Director of Army Audit.*—The Engineer-in-Chief informed the Committee that in this particular case the work was not given to the first contractor as he was in financial difficulties at the time. Subsequently when he got sufficient financial backing he was given a similar work. The Committee noted that in this particular case the reasons given to Audit for not giving the work to the first contractor were not the real reasons.

33. The Military Accountant General informed the Committee that the Military Engineer Services' Audit was at present conducted by non-technical men with the result that the objections raised during the period under review were in some cases very irritating to the Engineer Officers. In this connection the Auditor General raised the question why it was not possible to have trained Works Accountants as on the Civil side. The Committee desired that the Military Accountant General and the Auditor General should examine this question and make joint recommendations.

34. Mr. Mitra invited the attention of the Army Secretary to the point made in paragraph 11 of the Director of Army Audit's Report, *viz.*, that Audit cannot relieve an executive authority of at least part of his responsibilities for the prevention and detection of irregularities. The Army Secretary quoted from the statement giving the views of His Excellency the Commander-in-Chief on paragraph 10 of the Auditor General's letter to show that His Excellency was in sympathy with the views expressed by the Director of Army Audit and had ordered instructions to be issued to bring the point raised by him prominently to the notice of subordinate military authorities.

35. Mr. Mitra drew attention to paragraph 16 C of the Director of Army Audit's Report which dealt with the recording of certificates otherwise than in accordance with the facts. The Army Secretary pointed out that it was only natural that a report which dealt almost entirely with mistakes committed should give the impression that cases of this nature were more prevalent than the facts actually warranted. He assured Mr. Mitra, however, that the Military authorities were fully alive to the seriousness of offences of the kind brought to notice.

36. In answer to enquiries arising out of paragraph 16-D of the Report regarding the loss and premature destruction of documents, it was stated that there was no such evidence as would justify an inference that such action was deliberate or intentional. In response to a request, the Army Secretary undertook to furnish a statement* in respect of the three cases of loss mentioned in paragraph 61 of the Audit Report.

37. Certificates furnished by the Quartermaster General and the Master General of the Ordnance (*Annexures IV and V*) regarding the existence in stock

* Since furnished.

of the authorised War Reserve of stores on the 31st March 1934 were read out to the Committee.

38. Mr. Mitra and Mr. Uppi Sahib Bahadur expressed their appreciation of the work of the Financial Adviser who has been very helpful to the Committee during the last three years. The Chairman and Sir Alan Parsons desired to associate themselves with the remarks of Mr. Mitra and Mr. Uppi Saheb Bahadur.*

ANNEXURE II.

(Vide paragraph 3 of Proceedings.)

Memorandum furnished by the Auditor General regarding the preparation of statistics relating to surplus and obsolete stores of the Army, Marine and Military Engineer Services ; vide item 2 of Appendix A to the Army Appropriation Accounts.

As expressed in paragraph 32 of their Report on the Accounts of 1929-30, Volume I, the Public Accounts Committee agreed to the abolition of priced store accounts on the understanding that certain statistical information would be given to them, which would in some form replace the information which was previously at their disposal through consolidated statements based on the priced store accounts. The figures shown in Appendix " E " to the Army Appropriation Accounts for 1932-33 are intended to fulfil in part the undertaking given in this connection ; while it would be consistent with the undertaking, or at any rate with the desire underlying the Committee's request, that certain further information should be given, viz., on the financial aspect of the periodical disposals of surplus and obsolete stores.

2. The Auditor General, through the Director of Army Audit, is still examining in consultation with the Military Finance authorities the most suitable method of examining, co-ordinating, and exhibiting the relevant material.

3. It may be explained, at once, however that, if a practicable and reliable means can be devised of exhibiting such figures, the primary object will be not to add to the enumeration of formal " losses " but to provide an additional test of the efficiency of financial administration and control. In this connection it is of interest to note that, in the United Kingdom, the difference between the book value and the sale value of surplus and obsolete stores of the Army and Royal Air Force is not exhibited as a formal " loss ", expressed in terms of money. The reason for this is that in many cases stores become surplus or obsolete as a result of deliberate and necessary changes of policy and alterations in design. So long as money has been expended in accordance with the decisions of Parliament, the question of policy is not subjected to review as a matter of Account, while as a general rule the accounting records do not furnish sufficient information to enable a correct judgment to be formed on the economic results of policy. In the case of the Navy, though the details of the procedure are not exactly known, the Accounts show figures of " depreciation and loss " which appear to include the writing down of such stores to sale value.

* The draft Report of the Military Accounts Committee was adopted by the Public Accounts Committee, with certain modifications, at the meeting held on Saturday, the 18th August 1934, at 3 P.M.

ANNEXURE III.

(Vide paragraph 7 of *Proceedings*.)

Note on the question of reduction in the cost of the Re-equipment Programme, furnished by the Army Department with reference to paragraph 6 of the Report of the Military Accounts Committee on the accounts of 1931-32.

The Military Accounts Committee in their report on the Appropriation Accounts of the Defence Services for 1931-32 raised the question whether the cost of the re-equipment programme should not be reduced in view of the fall in world prices.

2. The most careful possible calculations have been made and it now seems probable that the programme can be completed for about Rs. 9·75 against the original Rs. 10 crores. In fact if Government were in a position to complete the programme, or a substantial part of the outstanding items, while prices are still ruling low and if it were possible to obtain the balance of the equipment required within the same time, an even larger reduction might be made. At present however there is no indication of either of these possibilities and the matter is therefore more of academic than of practical interest. The fullest possible advantage has already been taken of the fall in prices, and if a further reduction should prove possible, it will be made. The Committee may rest assured that Government will not be asked to provide more money than is actually required.

3. Although the Committee's main point has been met by the above statement, some further explanation may be thought desirable, both to bring out the difficulty of giving an absolutely firm answer to their question and also, perhaps, to show why a larger reduction than the Rs. 25 lakhs mentioned above is not likely to be secured.

4. The original programme was no more than a statement of deficiencies with a rough estimate against each item of the cost of making good the deficiency. It was not a schedule of fully costed items of future expenditure. The provisional nature of the original estimates was fully recognised from the outset both by the Government of India and by the Secretary of State; and it was accepted that alterations and modifications must take place from time to time in accordance with the results of further experience. Moreover, in the Army as in every other department of Government, a margin above the normal standing charges has always to be provided for New Demands. The stabilised budget arrangement in the Army did away with the procedure of budgeting for standing charges *plus* new demands and, therefore, the programme had necessarily to include a fairly large margin for unforeseen expenditure which would otherwise have been met under the New Demands procedure. There was, however, always the stipulation that, whatever variations might take place in the execution of the programme, there should be no large alteration in the total cost and that the purposes for which the programme was intended should remain substantially the same.

5. *Definite 'costing' as programme developed.*—As money became available the programme was taken up by sections in the order of urgency and, as each

section was taken up, it was converted from a roughly valued statement of a deficiency into a concrete and regularly costed proposal for expenditure. It was originally hoped to complete the programme, in four years, but the process described has already been spread over six years and there still remains a substantial balance of the programme which has been only roughly costed.

6. Prices have varied greatly since the programme was initiated and a close approximation to the original rough estimates of cost was never to be expected. If, however, the Committee are disposed to think that larger reductions might have been made, they must bear the following facts in mind.

7. In the first place, the goods purchased in pursuance of the re-equipment programme have not been raw materials but, for the most part, highly finished manufactured articles, among which may be mentioned aeroplanes, artillery tractors, light tanks, motor transport vehicles, machine guns, wireless equipment and other scientific apparatus. Into the price of such articles the cost of skilled labour enters largely and the cost of the materials is, in varying degrees, of minor importance. Consequently the effect of the fall in world prices on the cost of such articles is less marked and slower in maturing. Moreover, owing to improvements in design or to other causes, the prices of certain articles have actually increased.

8. In the second place, of the total expenditure up to date amounting roundly to Rs. 7.50 crores, about 5 crores was spent before the fall in prices became effective. The financial stringency caused by the fall in prices of primary products was itself the cause of a drastic restriction of the funds available for expenditure on the programme. In the three years 1932-33, 1933-34 and 1934-35 together, the total amount spent or to be spent on the programme is only about one crore. Thus, while it is believed that full advantage has been taken, where possible, of such fall as has occurred in the prices of the articles purchased, it will be seen that the volume of expenditure on which such advantage could be taken is a relatively small proportion of the total.

9. *Remainder of programme only roughly costed.*—The remainder of the programme which has to be financed is still only roughly costed and it would serve no useful purpose to make a detailed estimate now in an attempt to obtain a firm revised figure for the cost of completion. To mention one point only, it would almost certainly be misleading to base a detailed estimate on present prices, because it is probably correct to say that a general rise in prices *must* occur before Government will be in a position to provide funds to finance the remainder of the programme. The further expenditure required to complete after allowing for the amount provided in the budget for 1934-35 is roughly estimated at Rs. 195 lakhs.

10. *No expansion of programme has been made.*—If behind this question raised by the Committee there is the desire to be assured that advantage has not been taken of the fall in prices to expand the programme by including items not covered by the original list, it may be of interest to detail the safeguards provided to prevent any such addition. In the terms of the agreement for the stabilization of the Defence Budget it was laid upon the Financial Adviser, Military Finance, as a specific duty that he was to bring to the notice of the Finance Member any proposal for expenditure which seemed to him

to be a departure from the terms of the agreement. As might naturally be anticipated since conditions are not static, and, as was in fact accepted in advance by the Government of India and the Secretary of State (*vide* paragraph 4 above), the measures put into force have not corresponded exactly to the original intentions. In other words, when an item was included in the original 'statement of deficiencies' it was intended to make good the deficiency in a certain way : in some cases further examination or experience has shown that better results would be obtained by applying a somewhat different remedy. The points of doubt, which the Financial Adviser has had occasion to report for orders in the exercise of the responsibility laid on him, have been of this nature, *viz.*, not substantive additions to the original list but variations from the letter of the original proposals. Since such variations involved no departure from the spirit of the original agreement, Government sanction has been freely accorded, provided that the new remedy did not involve greater expenditure than the original one. In point of fact the association of the Finance Department with the execution of the programme has been closer than was originally stipulated : in recent years, owing to the restriction of the resources available for financing the programme, the practice has grown up of referring to the Finance Member for his specific consent a list of the items for which it is proposed to make provision in each year's budget. In view of these safeguards the Committee may rest assured that advantage has not been taken of the fall in prices or other similar factors to make any alterations in the programme which depart from the spirit of the original agreement.

ANNEXURE IV.

(*Vide paragraph 37 of Proceedings.*)

Indian Certificate,

I certify that, on 31st March 1934, the War Reserves of stores authorised by the Government of India to be held at that date for the mobilization of the Army in India and detailed in the published War Equipment Tables, or provided for under specific sanctions, for the provision and maintenance of which I am responsible, were complete to the extent to which the quantities required have been calculated, with the exception of fluctuations normal to the maintenance of such reserves, or to shortage and deficiencies due to sanctioned alterations in such reserves, the adjustment of which is in hand, and with the exceptions shown in the attached Annexure.

E. IRONSIDE,

Lieutenant-General,

Quartermaster General in India.

The 26th May 1934.

Annexure to certificate, dated 31st March 1934.

Deficiencies in the authorised numbers of M. T. Vehicles to be held in mobilization reserve :

- (i) *1 motor cycle, solo*, authorised to be held by the 1st D. A. C. Campbellpora. This deficiency has been accepted by all concerned in

view of the proposed replacement of this type of unit by Divisional Ammunition Unit in the near future.

- (ii) 4 *Workshop lorries*, authorised to be held towards the commitments entailed by the raising of new M. T. Companies on mobilization. This deficiency will be made good if and when the 6-wheeled workshop type chassis ordered from the United Kingdom against the 1932-33 Mechanisation Programme are converted* and issued to units, in replacement of 4-wheeled workshop lorries, which will be put in a fit mechanical condition and held as mobilization reserve vehicles.
- (iii) (a) 14 *store lorries*, authorised to be held for the use of extra 2nd line M. T. artificers on mobilization and towards commitments entailed by the raising of new M. T. Companies.
- (b) 7 *breakdown lorries*, authorised to be held for the purpose as at (iii) (a) above.

The vehicles, equipment, etc., required to complete the deficiencies of the above vehicles are available in the country, but the conversion has not been completed.

- (iv) 4 *Foden disinfecter lorries*. Against the authorised establishment of 11 of this type of vehicles, only 7 are held. To meet the deficiency of 4 vehicles, a like number of Albion A-10 type, 3-ton, 4-wheeled chassis is available. These vehicles are at present unallotted and held in mobilization reserve pending a decision as to their abolition.

ANNEXURE V.

(Vide paragraph 37 of Proceedings.)

Indian Certificate.

I certify that, on 31st March 1934, the War Reserves of stores authorised by the Government of India to be held at that date for the mobilization of the army in India and detailed in the published War Equipment Tables, or provided for under specific sanctions, for the provision and manufacture of which I am responsible, were complete to the extent to which the quantities required have been calculated, with the exception of fluctuations normal to the maintenance of such reserves, or to shortage and deficiencies due to sanctioned alterations in such reserves, the adjustment of which is in hand.

H. E. AP RHYS PRYCE,

Lieutenant-General,

Master General of the Ordnance in India.

The 11th May 1934.

* Work under suspension owing to reorganization of the I. A. S. C. (M. T.).

IV.—PROCEEDINGS OF THE PUBLIC ACCOUNTS COMMITTEE.

Proceedings of the First Meeting of the Public Accounts Committee held on Friday, the 29th June 1934, at 11 A.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, Finance Member, *Chairman*.

Mr. S. C. MITRA.

Mr. K. UPPI SAHEB BAHADUR.

KUNWER HAJEE ISMAIEL ALIKHAN.

Mr. B. DAS.

Captain SHER MOHAMMAD KHAN.

Maulvi Sir MOHAMMAD YAKUB.

Sir ERNEST BURDON, Auditor General.

Mr. M. BUTLER, Accountant General, Central Revenues.

The Hon'ble Sir ALAN PARSONS, Finance Secretary, *Witness*.

} *Members.*

} Were also present.

1. The Committee took up the consideration of the items shown against the Finance Department and the Auditor General in the Quarterly List of outstandings (Appendix I) and accepted the action taken and the explanations given in regard to the various items.

2. The Committee then went through paragraphs 11—20 of the Appropriation Accounts. In view of the fact that the receipts from the residential buildings in New Delhi did not cover the interest charges on the capital expenditure Mr. Das desired that the Finance Department should not in future sanction any capital expenditure or give advances to Provincial Governments from the Provincial Loans Fund for such expenditure if the schemes were not likely to be remunerative. As regards the financial prospects of the Vizagapatam Harbour, the Auditor General suggested that the Committee might consider the question after the first commercial accounts of the Harbour are available next year. The Auditor General referring to the statement giving an analysis of loans and advances bearing interest said that if the Committee considered it desirable, he would supplement the statement in future years by giving certain further important information regarding the various loans and advances. The Committee considered the statement a very useful one and desired that the Auditor General should continue it with such improvements as he might consider necessary.

3. The Committee next examined the general results of Appropriation Audit during the year 1932-33. The Committee agreed with the Accountant General that from the point of view of accurate estimating and efficient control of expenditure the year 1932-33 like the previous year was one of difficulties. A good deal of the savings of the year was due to the fact that in many cases further retrenchment was effected after the budget estimates were framed.

The Committee however considered it desirable that, as suggested by the Accountant General, particular attention of the various departments should be drawn to the detailed results of 1932-33 Appropriation Accounts in connection with the current control of expenditure. The Finance Secretary agreed to issue necessary instructions. He explained that even now the estimates of the various departments were very carefully scrutinised by the Finance Department and lump cuts for probable savings were made when they were justified by previous experience.

4. The Committee then adjourned till 2 P. M.

Proceedings of the Second Meeting of the Public Accounts Committee held on Friday, the 29th June 1934, at 2 P. M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, Finance Member, *Chairman*.

Mr. S. C. MITRA.

Mr. K. UPPI SAHEB BAHADUR.

Kunwer Hajee ISMAIEL ALIKHAN.

Mr. B. DAS.

Captain SHER MOHAMMAD KHAN.

Maulvi Sir MOHAMMAD YUKUB.

} *Members.*

Sir ERNEST BURDON, Auditor General.

Mr. M. BUTLER, Accountant General, Central Revenues.

The Hon'ble Sir ALAN PARSONS, Finance Secretary.

} *Were also present.*

Mr. M. S. A. HYDARI, Joint Secretary, Department of Education, Health and Lands.

Mr. R. H. HUTCHINGS, Deputy Secretary, Department of Education, Health and Lands.

The Hon'ble Mr. D. G. MITCHELL, Secretary, Department of Industries and Labour.

Mr. E. W. PERRY, Joint Secretary, Department of Industries and Labour.

} *Witnesses.*

Mr. E. M. JENKINS, Deputy Secretary, Department of Industries and Labour.

Mr. M. IKRAMULLAH, Under Secretary, Department of Industries and Labour.

Mr. A. BREBNER, Chief Engineer, Central Public Works Department, New Delhi.

Mr. C. T. LETTON, Controller of Printing and Stationery.

Mr. F. TYMMS, Director of Civil Aviation.

5. The Committee took up the consideration of the Appropriation Accounts and connected documents relating to the Department of Education, Health and Lands.

6. *Item 4 of the Quarterly Statement—Surplus stocks of quinine.*—The Committee was informed that out of the surplus of lbs. 130,000, lbs. 20,000 have been manufactured into the form of trade quinine and of the latter lbs. 4,000 have actually been sold. The Department was also at present conducting certain negotiations with the representative of the Kina Bureau for the sale of the surplus. The Committee hoped that the Department would be able to report considerable reduction in the surplus stock next year.

7. *Item 6 of the Quarterly Statement—Plates for the Sanchi Monograph.*—The Committee was informed that the remaining 12 plates were expected to be received by October next.

8. The Committee considered the explanations given for the excesses under Grants Nos. 21, 35, 48, 58, 61, 67 and 82 to be adequate.

9. *Commercial accounts of the Mathematical Instrument Office, Calcutta.*—It was admitted that the present state of affairs in the Mathematical Instrument Office is not satisfactory but that the Department could not take steps towards further retrenchment as their chief customer, the Army Department, had not been able to tell them definitely what their requirements were. The Committee was informed that a definite reply from the Army Department had since been received and that steps would be taken as soon as possible to adjust the establishment to the new conditions.

10. *Central Museum.*—The Committee observed that from the statement of receipts and expenditure of the Central Museum given on page 136 of the Appropriation Accounts it was not clear how the expenditure in excess of about Rs. 44,000 contributed by the Government of Bengal and the Government of India was met. The Committee desired that in the future Appropriation Accounts the position should be explained more clearly.

11. The Committee then took up the consideration of the Appropriation Accounts and connected documents relating to the Department of Industries and Labour.

12. *Item 13 of the Quarterly List—Outstanding Balances in the Central Publication Branch.*—The Committee was informed that the money was actually received but was not properly adjusted in the ledgers.

13. The Committee accepted the explanations given for the excesses under Grants Nos. 22, 40, 49, 50, 54 and 63.

14. The Auditor General brought to notice the large closing balance of paper and binding material at the Aligarh Press which represented about six or seven months' consumption against three or four months' consumption provided for in other Presses. The Controller of Printing and Stationery informed the Committee that it was necessary to maintain a larger stock at Aligarh to provide against strikes, etc., in view of the large amount of work done there for the Posts and Telegraphs Department. He stated that the question of reduction of stocks was under his consideration and he hoped to reduce them to a lower figure next year.

15. The Auditor General also pointed out that it was suggested at a meeting of the Public Accounts Committee two or three years ago that the value of the work done by the Government of India Presses for each paying and non-paying

Department of the Government of India should be exhibited in the commercial accounts. The Committee desired that these figures should be included in the commercial accounts from next year as they would be of great use in comparing the expenditure incurred by each department on printing from year to year.

16. The Auditor General also enquired whether the certificate of verification of stock in the Central Publication Branch in paragraph 297 of the Commercial Appendix did not require revision. The Controller informed the Committee that the verification had not yet been completed and that when it was completed a fresh certificate would be furnished.

17. *Paragraph 105 of the Appropriation Accounts.*—In reply to a question from the Auditor General whether a decision had been reached as to the terms on which certain assets had been handed over to the New Delhi Municipal Committee, the Committee was informed that no decision had yet been reached. The Auditor General and the Finance Secretary stated that it was very important to come to a conclusion as quickly as possible as delay would make the case more complicated and there was a danger of the assets passing on to the municipality without any sort of control by Government.

18. The Committee then adjourned till 11 A.M. on Saturday, the 30th June 1934.

Proceedings of the Third Meeting of the Public Accounts Committee held on Saturday, the 30th June 1934, at 11 A.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, Finance Member, *Chairman.*

Mr. T. N. RAMAKRISHNA REDDI.

Mr. S. C. MITRA.

Mr. K. UPPI Sahab Bahadur.

Kunwer Hajee ISMAIEL ALIKHAN.

Mr. B. DAS.

Captain SHER MOHAMMAD KHAN.

Dr. R. D. DALAL.

Maulvi Sir MOHAMMAD YAKUB.

Sir ERNEST BURDON, Auditor General.

Sir ALAN PARSONS, Finance Secretary.

Mr. M. BUTLER, Accountant General, Central Revenues.

Mr. E. T. COATES, Accountant General, Posts and Telegraphs.

Mr. G. V. BEWOOR, Director General, Posts and Telegraphs.

Mr. GHULAM MOHAMMAD, Officiating Financial Adviser, Posts and Telegraphs.

Mr. S. P. VARMA.

} *Members.*

} *Were also present.*

} *Witnesses.*

19. The Committee took up the examination of the Appropriation Accounts and connected documents relating to the Posts and Telegraphs Department.

20. *Paragraph 3 of the Auditor General's letter—Financial position of the Department.*—A memorandum was furnished to the Committee (*vide* Annexure A) in which it is explained—

(1) The loss in the working of the department was reduced from about 94 lakhs in 1931-32 to about 42 lakhs in 1932-33, but it rose to about 52 lakhs in 1933-34 of which about 27½ lakhs was due to the reduction of the cut in pay with effect from the 1st April 1933. The estimates for the current year anticipate a loss of about 14½ lakhs only which may rise to about half a crore if the cut in pay is restored.

(2) Efforts were being continued to reduce the loss further by the following measures :

“The retrenchment concessions have been extended so far as the Posts and Telegraphs department is concerned up to the 31st March 1935. The retrenchment of surplus staff is being carried out wherever justified and the policy of employing cheaper agencies wherever possible is being consistently pursued. The recommendations of the Telegraph Establishment Enquiry Committee are at present under the consideration of Government. A Postal Enquiry Committee has been appointed in order to examine and simplify the procedures in the post office and some economy may be anticipated as a result of the recommendations of this Committee. New reduced scales of pay for the non-gazetted subordinate staff of the department are expected to be introduced shortly. On the receipt side, attempts are being made to secure more revenue by a reduction in the telephone rates. Government have also under consideration the introduction of a new method of remittance in the form of Indian Postal Orders on the lines of British Postal Orders. The activities of the department are being advertised in the public press so as to attract more traffic. In order to ascertain whether it is really the high rates of postal and telegraph charges that are preventing an increase in traffic, the rates have been reduced this year and the response of traffic to these reduced rates is being carefully watched. The figures for revenue and expenditure for April 1934 and approximates for May 1934 do not give sufficient indication to base any conclusions but the situation is being carefully watched and efforts will continue to be made to reduce expenditure and to secure an increase in revenue.”

21. *Paragraph 4 of the Auditor General's letter—Accuracy of budgeting and efficiency of control over expenditure.*—The Committee was furnished with the Memorandum on this subject also (*vide* Annexure B) which explains the various steps taken or under contemplation to remedy the defects noticed and to effect improvements in the procedure concerning budgeting and control of expenditure. The Auditor General also informed the Committee that he had definitely gained the impression that the posts and telegraphs authorities were now going much more deeply and in much more detail into these matters and that he was satisfied with what they were doing and what they proposed to do in future.

22. *Paragraph 80 of the Appropriation Accounts.*—The Auditor General stated that in this paragraph a sum of Rs. 9,58,000 was shown as the value of certain surplus obsolete and unserviceable stores. He desired that an analysis should be furnished showing how much of this represents surplus and how much

obsolete and unserviceable stores. As regards the remark of the Accountant General that the balance in stock was still on the high side, the Committee was informed that this was based on the assumption of the correctness of certain orders issued that only six months' stock should be maintained in the case of stores to be obtained from abroad, and two months' stock in the case of stores available locally. The adequacy of this amount of stock was at present under examination by the department.

23. The Committee then took up the memorandum on the system of apportionment between the constituent Branches of the Indian Posts and Telegraphs Department of receipts and expenditure which relate to more than one branch (Appendix XI). After some discussion it was agreed that the consideration of this memorandum should be postponed as some of the members desired to make a further study and obtain some further information. In this connection the Chairman raised the point whether it would not be possible to devise a simpler method of apportioning the cost which might be revised periodically. The Auditor General promised to consider the matter.

24. The Committee then took up the consideration of some of the items left over relating to the Finance Department. The Finance Secretary explained that the non-voted excesses in Grants 20—Stamps and 71—Currency and the large voted savings under Grant No. 93—Capital Outlay on Currency Note Press were due to a change in the method of accounting of the Currency Note and Security Printing Presses, orders about which were issued after the close of the year.

25. The Committee accepted the explanations given for the excesses under Grants Nos. 25 and 26.

26. The Committee then adjourned till 11 A.M. on Monday, the 2nd July 1934.

ANNEXURE A.

(Vide paragraph 20 of these Proceedings.)

Memorandum on the Financial Position of the Indian Posts and Telegraphs Department, furnished by the Director-General, Posts and Telegraphs.

NOTE.—*Figures are in thousands of rupees.*

1931-32.

1. The accounts for the year 1931-32 closed with a loss of 93,84, the expenditure charged to revenue being 11,58,44, while the revenue was only 10,64,60.

1932-33.

2. The budget estimate for this year provided for a revenue of 11,50,73. As the year advanced it was found that the expectation of revenue was not likely to be realised and in the revised estimate the figure of 10,56,88 was adopted. The actual revenue of the department amounted to 10,55,40. The expenditure provided in the budget was 11,66,92, but the results from the economy campaign and the various decisions on the recommendations of the Posts and Telegraphs Accounts

Enquiry Committee enabled the provision for expenditure to be reduced in the revised estimate to 11,04,61. The actual expenditure charged to revenue including interest on capital outlay amounted to 10,97,29. The loss on the year's working, therefore, amounted to 41,89 as compared with 93,84 during the previous year. In spite of the enhanced postal and telegraph tariff the revenue continued to fall and but for the vigorous campaign of economy and retrenchments and the recommendations of the Accounts Enquiry Committee the loss would have been much greater.

1933-34.

3. The budget estimates for 1933-34 provided for a revenue of 10,81,34, or an improvement of 25,94 over the actuals for 1932-33. Of this improvement 16,16 represented interest on the balance of the department's depreciation fund which is being operated on the straight line basis from 1933-34 in pursuance of the recommendation of the Posts and Telegraphs Accounts Enquiry Committee. This increase in revenue, however, is off-set by a corresponding increase in the annual contribution to the depreciation fund which amounted to 45,27 in the budget estimates for 1933-34 against 23,30 in the accounts for 1932-33. The real improvement in revenue estimated in the budget was thus 9,78. As the year advanced it became apparent that the expectation of increased revenue would not be realised in full and consequently in the revised estimate the lower figure of 10,75,34 was adopted.

4. The expenditure provided in the budget for 1933-34 was 11,38,54 or an increase of 41,25 over the actuals of 1932-33. This increase was due to the following causes :—

(a) the general rate of deduction from pay which was 10 per cent. on pay earned to the end of March 1933, was reduced to 5 per cent. This accounts for an increase of ..	27,50
(b) Increase in contribution to the depreciation fund, <i>vide</i> previous paragraph ..	21,97
(c) Annual increments in the pay of staff ..	16,20
(d) Increase in the interest charges on losses of the department	6,52
Total ..	<u>72,19</u>

The gross increase under the above items comes to 72,19, but mainly due to counterbalancing economies, an increase of 41,25 only was provided for.

5. The budget estimates anticipated a loss of 57,20 on the year's working. As a result of continued efforts of economy it was possible to reduce the provision for expenditure in the revised estimates to 11,27,46 or a saving of 11,08. Appreciable as the saving was it was insufficient to cover the gap caused by decline in the revenue and it was anticipated in the revised budget that the department would be working at a loss of 51,72.

6. From the accounts up to March 1934 (preliminary) it is estimated that revenue is likely to be less by 1,40 than in the revised estimate and

a further saving of 90 is likely to occur on the expenditure side. The estimated loss of 51,72 referred to above is thus likely to be increased by 50 only.

Prospects for 1934-35.

7. The budget estimate for 1934-35 provides for a revenue of 10,71,26 or 4,48 less than the revised estimated revenue for 1933-34. The expenditure is estimated to be 10,85,73. The decrease in revenue is due to the estimated loss consequent on the reduction in postage and telegraph rates. The gross decrease in revenue due to these changes is estimated at 27,00 which is partly counterbalanced by an increase of 22,00 under other heads.

8. The total expenditure provides for a reduction of 41,73 as compared with the revised estimates for 1933-34. This reduction is made up as follows :—

- (a) Contribution to the depreciation fund. Since the organisation of the department on commercial lines the annual allocation for depreciation has been very much higher than the amount annually spent on renewals so that the balance to the credit of the depreciation fund has been mounting up rapidly. Pending a review of the provision under this head and having regard to the large balance in the fund the contribution to the depreciation fund during 1934-35 has been reduced to 8,72 being the amount estimated to be required for the actual renewal and reconstruction of assets. This accounts for a reduction of 35,00.
- (b) Increase in the credits received for services rendered to other departments 2,00.
- (c) Reduction in payments to retrenched personnel 10,00.
- (d) Economies and other items 7,00.

Total 54,00.

This is counterbalanced by a provision of 12,00 to meet charges on account of annual increments.

9. From the actual figures for revenue and expenditure for April 1934, and approximates for May 1934, available at the moment it is not possible to formulate any conclusions to justify a departure from these figures.

10. The revenue and loss on the working of the department as a whole has been as follows :

Year.	Revenue.	Loss.
1931-32	10,64,80	93,84
1932-33	10,55,40	41,89
1933-34 B. E.	10,81,34	57,20
1933-34 R. E.	10,75,34	51,72
1933-34 anticipated actuals	10,74,04	58,22
1934-35 B. E.	10,71,26	14,47

It will be seen from the above that every effort is being made to improve the financial position of the department. Unfortunately the revenue of

the department is not showing signs of recovery. On the expenditure side every effort is being made to reduce the cost of working. The pay of personnel which constitutes the great bulk of the expenditure in the department has always a tendency to increase owing to the annual increments. In spite of this tendency it has been possible to secure a definite reduction in the expenditure in the pay bill of the department. The figures given below will indicate the economies secured :

	Actuals.	Additional savings from emergency deduction.	Total.	Yearly increase or decrease.	
1924-25		..	6,12,00	..	
1925-26		..	6,33,00	+21,00	
1926-27	..	..	6,57,00	+24,00
1927-28	..	..	6,90,00	+33,00
1928-29	..	..	7,34,00	+44,00
1929-30	..	..	7,66,00	+32,00
1930-31	..	..	7,90,00	+24,00
1931-32	..	7,88,00	15,00	8,03,00	+13,00
1932-33	..	7,19,00	60,00	7,79,00	-24,00
1933-34 (up to March preliminary).	7,26,00	32,50	7,58,50	-20,50	

11. Efforts are being continued to secure further economies in the working of the department. The retrenchment concessions have been extended so far as the Posts and Telegraphs Department is concerned up to the 31st March 1935. The retrenchment of surplus staff is being carried out wherever justified and the policy of employing cheaper agencies wherever possible is being consistently pursued. The recommendations of the Telegraph Establishment Enquiry Committee are at present under the consideration of Government. A Postal Enquiry Committee has been appointed in order to examine and simplify the procedures in the post office and some economy may be anticipated as a result of the recommendations of this Committee. New reduced scales of pay for the non-gazetted subordinate staff of the department are expected to be introduced shortly. On the receipt side, attempts are being made to secure more revenue by a reduction in the telephone rates. Government have also under consideration the introduction of a new method of remittance in the form of Indian Postal Orders on the lines of British Postal Orders. The activities of the department are being advertised in the public press, so as to attract more traffic. In order to ascertain whether it is really the high rates of postal and telegraph charges that are preventing an increase in traffic the rates have been reduced this year and the response of traffic to these reduced rates is being carefully watched. As already stated above, the figures for revenue and expenditure for April 1934, and approximates for May 1934, do not give sufficient indication to base any conclusions but the situation is being carefully watched and efforts will continue to be made to reduce expenditure and to secure an increase in revenue.

ANNEXURE B.

(Vide *paragraph 21 of these Proceedings.*)

Memorandum on the accuracy of budgeting, efficiency of control over expenditure, stores balances, and incidence of the cost of establishment employed on works in the Posts and Telegraphs Department, furnished by the Director General, Posts and Telegraphs.

Attention is invited to paragraphs 50—54; 58, 59, 61 and 80 of the Report of the Accountant General, Posts and Telegraphs, on the Appropriation Accounts of the Posts and Telegraphs Department for the year 1932-33 dealing with the accuracy of budgeting, efficiency of control over expenditure and certain connected questions also referred to in paragraph 4 of the Auditor General's covering letter No. 91-Rep. 16-34, dated the 17th of April 1934 (Appendix IV). This memorandum has been drawn up to bring to the notice of the Public Accounts Committee the steps that have been either taken already or are contemplated to remedy the defects noticed and to effect improvements in the procedure concerning budgeting and control of expenditure. The full effect of the measures adopted will begin to appear from the accounts of 1934-35. Efforts are not being relaxed to effect further improvements in the light of experience.

2. Broadly speaking, the measures fall under the following heads:—

- (1) *Reconciliation of departmental figures for Postal fluctuating charges with those booked in the Audit Office.*—As a result of detailed examination the defects in procedure noticed during the last few years have been removed and provision is made to enable Heads of Circles to effect reconciliation by each subordinate controlling officer under his jurisdiction. Detailed instructions drawn up in collaboration with the Accountant General, Posts and Telegraphs, will issue shortly.
- (2) *Credits to Capital or working expenses from sale of assets.*—A revised procedure, devised in consultation with the Accountant General, Posts and Telegraphs, to remove the basic defects responsible for the divergences between actuals and estimates under the heads "other credits" is being introduced.
- (3) *Control over re-appropriations.*—The centralised control by the Director General's office over re-appropriations is being relaxed to a large extent. The revised procedure mentioned in paragraph 60 of the above Report could only be partially introduced in 1933-34 and will be brought fully into force from 1934-35. This procedure will minimise variations between expenditure and final grants in respect of fluctuating expenditure.
- (4) *Credits for services rendered to other departments.*—Estimates under this head were hitherto based on actuals which are several months old. These estimates are now based on the latest figures regarding the number of transactions and prepared, where necessary, in consultation with the Finance Department, who are in a better position to anticipate the probable effects on Savings Bank and Cash Certificate

business of the issue and discharge of loans and the conditions ruling in the money market.

- (5) The existing methods of framing the budget and controlling the expenditure in workshops and the stores yard is under consideration and steps will be taken in the near future to effect necessary improvements. Considerable improvements are expected to be carried out during the current year as a result of the detailed examination of the existing methods in the Budget Section of the Director-General's office.
- (6) *Level of stores balances.*—The balance of stores on 31st March 1934 was as follows :—

	Rs.
(a) Mobilisation stores	20,15,774
(b) Surplus, obsolete or unserviceable stores ..	9,58,000
(c) General stores	31,30,000

The balance of stores has been considerably reduced during the last few years and efforts are still being made to effect further reductions. The question of fixing more practical limits for maximum permissible stock of stores is under examination.

- (7) *Incidence of the cost of establishment employed on works.*—The various methods to determine a reliable ratio between cost of establishments in the Telegraph Branch of the Department and the cost of works expenditure tried hitherto having been found unsuitable, statistics were obtained last year by keeping certain works under observation and maintaining actual records. These unfortunately have not been found of much practical value and no reliable conclusions could be drawn therefrom. The matter is being further investigated and the results will be placed before the Public Accounts Committee in due course.

Proceedings of the Fourth Meeting of the Public Accounts Committee held on Monday, the 2nd July 1934, at 11. A.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, Finance Member, *Chairman.*

Mr. T. N. RAMAKRISHNA REDDI.

Mr. S. C. MITRA.

Mr. K. UFFI Sahab Bahadur.

Kunwer Hajee ISMAIEL ALIKHAN.

Mr. B. DAS.

Captain SHEB MOHAMMAD KHAN.

Dr. R. D. DALAL.

Members.

Sir ERNEST BURDON, Auditor General.

The Hon'ble Sir ALAN PARSONS, Finance Secretary.

Mr. M. BUTLER, Accountant General, Central Revenues.

Mr. M. K. SEN GUPTA, Audit Officer, Indian Stores Department.

Were also present.

The Hon'ble Mr. D. G. MITCHELL, Secretary,
 Department of Industries and Labour.
 Sir JAMES PITKEATHLY, Chief Controller, Indian
 Stores Department.
 Mr. C. M. TRIVEDI, Joint Secretary, Home Depart-
 ment.
 Mr. C. F. V. WILLIAMS, Deputy Secretary,
 Home Department.
 Rai Sahib BISHAN SWARUP from the Delhi Adminis-
 tration.

} Witnesses.

27. The Committee took up the examination of the Appropriation Accounts and connected documents relating to the Indian Stores Department.

28. *Voted excess.*—There was an excess of Rs. 83,153 on the voted Grant due to smaller recoveries of departmental charges owing to continued financial depression and downward trend of prices. The Auditor General informed the Committee that he had accepted the suggestion made to him that these recoveries which were not really expenditure incurred on behalf of other Governments or departments, but only a percentage of the value of stores purchased, should be shown as receipts and not as deductions from expenditure.

29. *Note 1 on page 175 of the Appropriation Accounts—Waiving of a recovery of Rs. 21,995 on account of charges for tensile and other tests.*—The Committee was informed that these charges were not recoverable in equity but owing to the defective wording of the schedule they were technically recoverable and that steps had since been taken to redraft the schedule.

30. In reply to a question from Mr. Das as to what progress had been made as regards the various Departments of the Government of India making greater use of the Indian Stores Department, the Committee was informed that the Railway Department was at present making greater use of the Indian Stores Department and that, as regards the Army Department, the matter was at present being examined by the Finance Secretary.

31. Mr. Das desired that in view of the large drop in the value of stores purchased from the Indian Stores Department, London, the question of reducing the strength of that Department and of making it a part of the Indian Stores Department in India should be considered.

32. The Committee then took up the examination of the Appropriation Accounts relating to the Reforms Office and the Home Department.

33. *Important comment on page 235 of the Appropriation Accounts—Theft of a cash box.*—The Finance Secretary agreed that the cashiers of Committees should always be persons in the permanent service of Government and that a standard set of self-contained instructions for the guidance of Committees and Commissions should be issued.

34. *Item 11 of the Quarterly List—Appendix I—Necessity for maintaining a dairy in the Andamans.*—The Committee was informed that it was not possible to close down the Dairy but strenuous efforts were being made to reduce the

loss. It was stated that a proposal was at present under consideration to depute one of the officers of the Military Dairy Farms in India to go into the question. In view of the small amount of loss in the working of the Dairy the Committee considered that it was unnecessary to incur the expense of deputing an officer to go into the question but that the Department should consider whether they could not make up the loss by slightly increasing the selling prices of the products of the Dairy.

35. *Posting of a trained Accounts officer to the Andamans to assist the Chief Commissioner.*—The Committee desired that the proposal which was held in abeyance for various reasons should be revived as soon as possible.

36. The Committee then took up the examination of the remaining items relating to the Finance Department.

37. *Treasury Defalcations.*—There was a serious increase in the number and amount of treasury defalcations dealt with in the report of the year and a common feature of all the cases was a laxity of supervision which facilitated the frauds. The Committee desired that the Government of India should press upon Provincial Governments the necessity of putting proper officers in charge of treasuries and seeing that there is proper supervision.

38. The Committee then adjourned till 2-30 P.M.

Proceedings of the Fifth Meeting of the Public Accounts Committee held on Monday, the 2nd July 1934, at 2.30 P.M.

PRESENT

The Hon'ble Sir JAMES GRIGG, Finance Member, *Chairman*.

Mr. T. N. RAMAKRISHNA REDDI.	} <i>Members.</i>
Mr. S. C. MITRA.	
Mr. K. UPPI Sahēb Bahadur.	
Kunwer Hajee ISMAEL ALIKHAN.	
Mr. B. DAS.	
Captain SHER MOHAMMAD KHAN.	
Dr. R. D. DALAL.	

Sir ERNEST BURDON, Auditor General.	} <i>Were also present.</i>
The Hon'ble Sir ALAN PARSONS, Finance Secretary.	
Mr. M. BUTLER, Accountant General, Central Revenues.	

Mr. H. A. F. METCALFE, Secretary, Foreign and Political Department.	} <i>Witnesses.</i>
Mr. V. NARAHARI RAO, Additional Deputy Secretary, Foreign and Political Department.	
Rai Bahadur CHUNI LAL, Financial Secretary, North-West Frontier Province.	
L. SUNDAR DAS, Financial Assistant, Baluchistan.	

39. The Committee took up the examination of the Appropriation Accounts and connected documents relating to the Foreign and Political Department.

40. *Creation of unauthorised excluded funds.*—The Auditor General brought to the notice of the Committee that certain unauthorised excluded funds were created by the local Administration without proper sanction. One such fund was the Khassadar's fund which was financed by money drawn from Government treasury on monthly

- (i) contingent bills at the rate of 1/12th of the annual provision made in the sanctioned budget on account of Khassadar contingencies, and
- (ii) establishment bills prepared on the basis of the sanctioned strength of the Khassadars irrespective of the fact whether the persons for whom pay was drawn were actually in Government service or not. Out of the amounts thus drawn and credited to the funds payments were made as and when occasion arose.

Another such fund is the motor lorry depreciation fund which was created by drawing from the treasury 25 per cent. of the estimate of the annual cost of upkeep and crediting it to the fund. The Committee after discussion came to the conclusion that these funds should be abolished immediately. They also considered it desirable that a list of all excluded funds maintained in the Province should be obtained as quickly as possible and an examination should be made to see whether all of them should not be abolished. The Auditor General also mentioned two other apparently legitimate funds, viz., the Scouts Fund and the Frontier Constabulary Fund, which he stated had been brought under his audit.

41. *Financial powers of His Excellency the Governor of North-West Frontier Province in respect of expenditure in Tribal areas.*—The Auditor General informed the Committee that one of the difficulties of the Comptroller, North-West Frontier Province, at present was that the powers of His Excellency the Governor in regard to expenditure on behalf of the Central Government had not been clearly defined and that it was necessary that definite rules should be laid down as quickly as possible. The Committee was informed that the matter was at present under the consideration of the Government of India and that orders were likely to issue shortly.

42. The Committee then took up the remaining items relating to the Finance Department.

43. The Committee accepted the explanations for the excesses under Grants Nos. 42, 74, 76-B and 96.

44. *Report on the working of the Provincial Loans Fund.*—The Auditor General mentioned that suspension of repayment of instalments of principal to the Fund by the Bombay Government in 1932-33 was not mentioned in the Report and desired that all such special features of the year should be included in the Report. The Finance Secretary agreed.

45. The Committee adjourned till 11 A.M., on Tuesday, the 3rd July 1934.

Proceedings of the Sixth Meeting of the Public Accounts Committee held on Tuesday, the 3rd July 1934, at 11 A.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, Finance Member, *Chairman*.

Mr. T. N. RAMAKRISHNA REDDI.
Mr. K. UPPI Saheb Bahadur.
Kunwer Hajee ISMAIEL ALIKHAN.
Mr. B. DAS.
Captain SHER MOHAMMAD KHAN.
Maulvi Sir MOHAMMAD YAKUB.
Dr. R. D. DALAL.

} *Members.*

Sir ERNEST BURDON, Auditor General.

The Hon'ble Sir ALAN PARSONS, Finance Secretary.

Mr. M. BUTLER, Accountant General, Central Revenues.

Mr. M. K. SEN GUPTA, Audit Officer, Indian Stores Department.

} Were also present.

Mr. A. RAISMAN, Member, Central Board of Revenue.

Mr. W. W. NIND, Member, Central Board of Revenue.

Mr. F. C. KING, Commissioner, Northern India Salt Revenue.

Mr. N. R. PILLAI, Joint Secretary, Commerce Department.

} *Witnesses.*

46. The Committee took up the examination of the Appropriation Accounts and connected documents relating to the Commerce Department.

47. *The Bengal Pilot Service Widows and Family Pension Fund.*—The Auditor General brought to the special notice of the Committee the figures given in paragraph 208 of the Commercial Accounts which showed that during the last five years the expenditure on account of the Fund largely exceeded the receipts every year. Mr. Raisman explained to the Committee that in the case of a Family Pension Fund the receipts and disbursements of a few years were not a proper test but after close examination of the position the Commerce Department had come to the conclusion that the Fund was not sound from an actuarial point of view and it had therefore been decided that future recruits to the Bengal Pilot Service should not be eligible to subscribe to the Fund.

48. *Inadequate current control of expenditure in the Lighthouse Department.*—The Committee was informed that the question was under the consideration of the Commerce Department at present and that it was proposed to allow the Superintendents of Lighthouses to exercise some powers of reappropriation and also to amalgamate some of the unnecessary sub-heads. The matter would be settled in consultation with the Accountants General.

49. *Accounts of Government Commercial Concerns.*—In paragraph 5 of his letter the Auditor General has stated as follows :—

“I am especially struck on this occasion with the improvement which has been effected in the presentation of the accounts of Government Commercial concerns contained in the Accountant General, Central Revenues' Commercial Appendix to his Report. In

my opinion the financial reviews of the various accounting officers have, in general, now reached a higher standard than before, both in the fullness and the suitability of the information supplied; and the work of my auditors has thus been correspondingly simplified. I note also that in general, despite adverse circumstances, the financial administration of a number of the concerns has in the commercial sense been more successful than for some years past."

The Auditor General mentioned that the account of the Lighthouse Department was one of the accounts which was responsible for the above comment in his letter. In this connection the Auditor General raised the question whether in view of the considerable improvement in the commercial accounts presented to the Committee and in view of the fact that the Committee had before them at present figures of a number of years for purposes of comparison, advance reviews of the subsequent year based on unaudited figures should be continued. He expressed the opinion that these reviews should be discontinued as they were on the whole objectionable from the auditors' point of view, being based on unaudited figures. Any information which the Committee desired regarding the working of any particular commercial concern in the subsequent year could, if necessary, be obtained by the Committee during the course of the examination of the witnesses. The Committee agreed to the discontinuance of these advance reviews. The question of discontinuing the advance review in the case of Railways was reserved for separate consideration when the Railway accounts are taken up.

50. The Committee then took up the examination of the Appropriation Accounts and the connected documents relating to the Central Board of Revenue.

51. *New system of audit of Customs Revenue.*—The Committee was glad to note that the Central Board of Revenue has expressed its satisfaction of the smooth and harmonious working of the new system and its appreciation of the results achieved.

52. *Irregular Appropriations.*—A sum of Rs. 1,900 was reappropriated by a Collector of Customs from the sub-head "Pay of Officers" which required the previous approval of the Finance Department. The Committee was informed that this was done by the Collector under a misapprehension and that his attention had been drawn to it.

53. *Supply of Khewra salt for Bengal.*—In reply to a question by Mr. Das, the Committee was informed that a wagon of Khewra salt and one of Sambhar salt had been sent to the Bengal market as an experiment, but owing to the low prices of imported salt at present Khewra salt could not compete with the imported salt unless the former was sold at a price below cost.

54. *Large stock of salt at the Madras Depot.*—The Committee was informed that the question was at present being examined on the spot by one of the members of the Central Board.

55. *Large stocks of Malwa opium and increase in the cost of manufacture of provision opium.*—In view of the increasing stocks of Malwa opium the Committee desired* to have an appreciation of the position as regards the stock of

*Vide Appendix XIII.

Malwa opium and the production of opium in general, with particular reference to financial aspects and prospects. They desired* to know *inter alia* why the cost of manufacture of provision opium had gone up in 1932-33 although the sales of provision opium to Foreign Governments were being reduced.

56. *Excess under refunds.*—The Committee was informed that till 1931 all the excise duty on kerosene and motor spirit made in Burma was actually paid in Burma and when shipments were made out of India the Collector of Customs instead of making a refund merely deducted the amount from the duty payable so that no provision used to be made under refunds. In 1931 the Government of India agreed to petrol and kerosene being shipped from Burma to ports like Bombay and Karachi in bond. When refunds were given at these ports they were actually paid in cash but intimation of these payments was received by the Collector of Customs after the close of the year. He could not therefore apply for additional funds.

57. The Committee then adjourned till 2-30† P.M.

Report of the Public Accounts Committee on the Accounts of 1932-33.

PART II—RAILWAY ACCOUNTS.

Position as regards estimating.

1. The following table compares the original estimates made before the beginning of the year, the revised estimates prepared near its end, and the actual results :

	(Lakhs of rupees.)		
	Budget.	Revised.	Actuals.
(1) Traffic receipts (less refunds)	89,00	86,50	85,62
(2) Miscellaneous receipts	1,10	1,07	1,03
(3) Working Expenses	62,70	62,85	62,85
(4) Miscellaneous Expenditure	47	47	47
(5) Surplus profits	80	65	65
(6) Interest charges	33,72	32,94	32,91
(7) Surplus (+) or deficit (—)	—7,59	—9,34	—10,23
(8) Contribution to general revenues .. .. .	..	..	..
(9) Payment to (+) withdrawal from (—) Reserve .. .. .	..	..	..
(10) Loans from the Depreciation Fund	7,59	9,34	10,23

2. The budget estimate for 1932-33 anticipated a net deficit of Rs. 7,59 lakhs which was increased to 9,34 lakhs in the revised estimate. The actuals proved to be still worse resulting in a deficit of Rs. 10,23 lakhs which was met by a loan from the Depreciation Fund. As in 1931-32, the prescribed contribution to general revenues could not be paid during the year under review. The deterioration as compared with the estimates was due to the continued economic depression, the low level of prices and the decreased spending power of the people. The figures in the above table show that while the receipts varied widely from the original estimates, the total expenditure, excluding interest but including all other expenditure, *i.e.*, ordinary working expenses depreciation, miscellaneous expenditure and surplus profits, was exactly the same in the budget revised estimate and actuals

* *vide* Appendix XIII.

† This meeting was held in connection with Railway Appropriation Accounts.

The draft Report of the Public Accounts Committee was adopted by the Committee at the meeting held on Saturday, the 18th August 1934, at 3 P.M.

Position as regards control of expenditure.

3. The following table compares the final voted grants with the expenditure against those grants :—

	Original grant.	Supplementary grant.	Final grant.	Actual expenditure.	Excess + Saving —
(Lakhs of rupees.)					
<i>Expenditure charged to Revenue.</i>					
1. Railway Board ..	7.75	.40	8.15	7.95	— .20
2. Inspection ..	.70	.01	.71	.74	+ .03
3. Audit	12.00	.24	12.24	12.53	+ .29
4. Working Expenses, Administration.	9,97.00	12.50	10,09.50	9,98.08	—11.42
5. Repairs, maintenance and operation.	36,76.00	..	36,76.00	36,72.72	—3.28
6. Payment of surplus profits ..	80.00	..	80.00	65.21	—14.79
9. Appropriation to Depreciation Fund.	13,25.00	6.00	13,31.00	13,33.16	+2.16
11. Miscellaneous expenditure ..	6.50	..	6.50	3.82	—2.68
14. Strategic lines	1,85.00	2.69	1,87.69	1,84.95	—2.74
<i>Expenditure charged to Capital and Depreciation Fund.</i>					
7. New construction	1,00.60	..	1,00.60	55.59	—45.01
8. Open line works	3,05.50	..	3,05.50	—25.10	—3,30.60
10. Appropriation from Depreciation Fund.	13,18.79	1,75.37	14,94.16	16,57.64	+1,63.48
15. Strategic lines capital ..	8.00	..	8.00	—22.60	—30.60

4. The non-voted appropriations sanctioned by the Government of India and the expenditure against those appropriations are given below :—

	Original appropriation.	Supplementary appropriation.	Final appropriation.	Actual expenditure.	Excess + Saving —
(Lakhs of rupees.)					
<i>Expenditure charged to Revenue.</i>					
1. Railway Board	4.25	— .13	4.12	4.16	+ .04
2. Inspection	2.25	.58	2.83	2.78	— .05
3. Audit	4.45	.40	4.85	4.89	+ .04
4. Working expenses, Administration.	94.00	8.18	1,02.18	1,01.20	— .98
5. Repairs, Maintenance and Operation.	1.00	.40	1.40	1.37	— .03
11. Miscellaneous expenditure ..	8.50	.89	9.39	9.51	+ .12
14. Strategic lines	4.50	.84	5.34	5.48	+ .14
<i>Expenditure charged to Capital.</i>					
7. New construction .. ..	.40	.77	1.17	1.19	+ .02
8. Open line works .. ..	.50	.73	1.23	1.77	+ .54
15. Strategic lines .. ..	..	.01	.01	.01	..
Discharge of Debentures .. ..	..	44.32	44.32	20.52	—23.80
Interest on Debt	32,33.43	—72.83	31,60.60	31,56.94	3.66
Interest on Capital contributed by Companies.	1,38.21	—4.51	1,33.70	1,33.58	— .12

5. We give in paragraph 6 below the reasons for the excesses over voted grants Nos. 2, 3, 9 and 10 which require the vote of the Legislative Assembly. There were four excesses in the year under report against one and six in 1931-32 and 1930-31 respectively. The excesses over non-voted appropriations numbered six in 1932-33 against five in 1931-32 and four in 1930-31. The percentage of individual excesses, votable and non-votable, varied from .16 per cent to 4.24 per cent under heads of expenditure charged to Revenue and from 1.99 per cent to 43.52 per cent under heads of expenditure charged to Capital.

As regards savings, they varied from .09 per cent to 382.50 per cent under individual heads, the biggest savings occurring under the revenue grants 4 and 6 and the capital grants 7, 8 and 15. Taking the total railway expenditure both voted and non-voted, there was a saving of 37 lakhs or .38 per cent under expenditure charged to revenue and a saving of 2,66 lakhs or 13.6 per cent under capital expenditure. The position in this respect compares as follows with the last two years :—

Expenditure charged to Revenue.

(Excluding appropriations to and from the Reserve Fund.)

Year.	(Lakhs of rupees.)		Percentage of column (3) to column (2).
	Final grant and appropriation.	Savings.	
1	2	3	4
1930-31	1,05,11	—2,98	2.83
1931-32	1,01,38	—4,24	4.18
1932-33	97,86	—37	.38
<i>Expenditure charged to Capital.</i>			
1930-31	25,74	—1,14	4.39
1931-32	29,18	—4,95	16.96
1932-33	19,55	—2,66	13.60

We agree with the Auditor General that as the conditions of the year were abnormal—large departures from the budget programme were necessitated by financial difficulties—and as the demands for grants continued in the year in a form which has been condemned and has been superseded in 1934-35, no definite conclusions can be drawn from the results of the appropriation audit of the year. We are glad to note that in spite of these difficulties the Director of Railway Audit has not reported any important failure

Excesses over voted grants.

6. The excesses over voted grants which require to be regularised by excess votes of the Legislative Assembly are shown below :

Demand No.	Final grant.	Actual expenditure.	Excess.
	Rs.	Rs.	Rs.
2. Inspection	71,000	74,008	3,008
3. Audit	12,24,000	12,52,640	28,640
9. Appropriation to Depreciation Fund	13,31,00,000	13,33,15,627	2,15,627
10. Appropriation from Depreciation Fund	14,94,16,000	16,57,63,635	1,63,47,635

The excesses under demands Nos. 2 and 3 were mainly due to larger payments of gratuities and leave salaries. The expenditure under Demand No. 9 is not controllable and the excess is very small being less than one-sixth of 1 per cent. It is due to special difficulties met with in framing a proper estimate. The excess under Demand No. 10 was due to the fact that the actual works expenditure debitable to the Depreciation Fund and the temporary loan from the Fund to meet the deficit were more than anticipated.

Reappropriations not made in accordance with prescribed rules.

7. Under rule 52 (2) (ii) of the Indian Legislative Rules we are required to bring to the notice of the Legislative Assembly every reappropriation within a grant which is not in accordance with such rules as may be prescribed by the Finance Department. We give below the cases brought to our notice by the Director of Railway Audit:

- (1) On the South Indian Railway and the Great Indian Peninsula Railway certain reappropriations were sanctioned from the sub-head "Payment to the Income-tax Department" which required the previous approval of the Railway Board.
- 2) On the same two railways as well as on the Madras and Southern Mahratta Railway reappropriations were sanctioned from the sub-head "Track Renewals" which also required the previous approval of the Railway Board.
- (3) On the South Indian Railway a reappropriation was sanctioned to meet expenditure which had not been sanctioned by the Railway Board.
- (4) The Assam Bengal Railway, the Bengal Nagpur Railway, the Bengal and North-Western Railway, the Burma Railways, the Jodhpur Railway and the Madras and Southern Mahratta Railway assumed that certain authorisations of expenditure sanctioned by the Railway Board in excess of the allotment were actual additional allotments sanctioned by the Railway Board and made formal reappropriations which were irregular.

Comments on matters arising out of the accounts for 1932-33.

8. *Date of issue of the Financial Commissioner's Review.*—In paragraph 12 of the Report on the accounts for 1931-32, the Public Accounts Committee agreed that in view of the difficulties pointed out by the Financial Commissioner it was enough if his Review was ready in time for consideration by the Auditor General before he wrote his letter on the Appropriation Accounts. The question has again been raised by the Auditor General in his letter on the Appropriation Accounts (Appendix I) where he says that "to promote materially the convenience and efficiency of the Public Accounts Committee" and in order to avoid overlapping it is absolutely necessary that the report of the Director of Railway Audit should be written only after the Financial Commissioner's Review is available to him. The Financial Commissioner agreed that he would try to give the Review to the Director of Railway Audit by the middle of April from next year.

In this connection the Auditor General raised the question whether the summary of the financial results and the provisional balance sheets of collieries of the succeeding year prepared by the Financial Commissioner for presentation to the Committee might not be discontinued, as they had fulfilled the purpose for which they were originally designed. We accept the Auditor General's proposal, but the Financial Commissioner should, while giving evidence before the Committee, be in a position to give the Committee any information which they might require regarding the results of the subsequent year.

9. *General question of the treatment of the Depreciation Fund.*—We were informed that there were two questions involved :

- (1) the allocation of expenditure to capital, Depreciation Fund and to revenue, and
- (2) the method of calculating the contribution to the Depreciation Fund.

We understand from the Financial Commissioner that no conclusion has yet been arrived at as regards the first question, but, as regards the second question, the present method, though theoretically probably justifiable, in practice it cannot be considered as leading to accurate results, and the time utilised for keeping up the registers, etc., appeared to be an absolute waste. Without entering into the question as to whether the present contribution to the Depreciation Fund is adequate or inadequate it has been suggested that the method of calculation should be simplified, and that it should be based, as recommended by the Auditor General two years ago, on the capital at charge of the Railways. We recommend that the proposal should be formally put to the Auditor General in writing as desired by him, and he should be given an opportunity of examining exactly what changes are involved and whether he could accept them, and if he is satisfied with the proposed change, effect should be given to it without further reference to the Public Accounts Committee; but a report should be made to them.

10. *Allocation of expenditure on rolling stock on company-managed railways.*—A memorandum (Appendix IV) was circulated to us by the Railway Board, in which it has been explained that a draft convention on the subject was forwarded to all company-managed railways in June 1932 and that they were asked to obtain the concurrence of their Board of Directors, but most of the companies had not yet accepted it. We accept the Auditor General's suggestion that at the next annual meeting of the Agents the Railway Board should try and get as great a measure of agreement as possible, and if they fail, the Agents of company railways should be permitted to make their own proposals as regards allocation which the Government Examiner would examine, and if he thought that the proposed allocation did not satisfy the general conditions laid down by the Railway Board, the matter should be reported to the latter who would determine the question with reference to the contracts with the individual railways.

11. *New Service.*—We have carefully examined the two items of doubtful cases of new service mentioned in the memorandum furnished by the Auditor General, viz.,

- (1) construction of a ring bund at Damukdia, and
- (2) regarding the track of the Delhi Jumna Bridge on the North Western Railway.

We consider that both the items should not be treated as items of new service.

In this connection the Auditor General raised the question whether the practice of furnishing the Committee with a memorandum of doubtful cases of new service, which was initiated in order to build up a certain amount of case law, need not be discontinued. He informed us that all his principal Auditors throughout India had most meticulous instructions as to how to identify cases of new service and if the accounts of any year included items of new service, which were undertaken without obtaining a specific vote from the legislature, such items would in the ordinary course be included in the Audit Report. In the circumstances, we agree to the discontinuance of a separate memorandum on the subject.

12. We append to our report minutes of the proceedings, which we consider should be treated as part of the report. We assume that, in accordance with the established practice, action will be taken by the department as necessary on the observations and recommendations contained in these proceedings.

P. J. GRIGG.

M. C. RAJAH.

T. N. RAMAKRISHNA REDDI.

S. C. MITRA.

K. UPPI.

ISMAIEL ALIKHAN.

B. DAS.

SHER MOHD. KHAN.

R. D. DALAL.

K. SANJIVA ROW,

Dated the 20th August, 1934.

PROCEEDINGS OF THE COMMITTEE.

Proceedings of the Eighth* Meeting of the Public Accounts Committee held on Wednesday, the 4th July 1934, at 11 A.M.

PRESENT:

The Hon'ble Sir JAMES GRIGG, Finance Member, *Chairman.*

Mr. T. N. RAMAKRISHNA REDDI.

Mr. K. UPPI SAHEB Bahadur.

Kunwer HAJEE ISMAIEL ALIKHAN.

Mr. B. DAS.

Maulvi Sir MOHAMMAD YAKUB.

Dr. R. D. DALAL.

} *Members.*

* The first six Meetings were held in connection with the Appropriation Accounts relating to Civil, Military and Posts and Telegraphs. At the Seventh Meeting held on Tuesday, the 3rd July, at 2-30 P.M., the draft Report on the Accounts of 1931-32, Part II (Railways), was adopted by the Committee.

Sir ERNEST BURDON, Auditor General.

The Hon'ble Sir ALAN PARSONS, Finance Secretary.

Mr. T. K. RAJACOPALAN, Director of Railway Audit.

} Were also present.

Mr. P. R. RAU, Financial Commissioner, Railways.

Mr. T. S. SANKARA AIYAR, Director of Finance, Railway Board.

Mr. B. N. MITRA, Controller of Railway Accounts.

} Witnesses.

1. The Committee took up the examination of the Appropriation Accounts and connected documents relating to the Railway Department.

2. *Date of issue of Financial Commissioner's Review.*—The question of the date of issue of the Review by the Financial Commissioner was considered by the Committee last year when, in view of the difficulties explained by the Financial Commissioner, the Committee agreed that it would be enough if the Review was ready in time for consideration by the Auditor General before he wrote his letter on the Appropriation Accounts. The question was again raised by the Auditor General this year and for the reasons given by him in paragraphs 3 and 4 of his letter (*Appendix I*) he considers that it is absolutely necessary that the Report of the Director of Railway Audit should be written only after the Financial Commissioner's Review is available to him. The Financial Commissioner agreed that he would try to give the Review to the Director of Railway Audit by the middle of April from next year. The Committee also agreed to the suggestion of the Auditor General that the summary of the financial results and the provisional balance sheets of collieries of the succeeding year need not in future be prepared by the Financial Commissioner for presentation to the Committee as they have fulfilled the purpose for which they were originally designed, but the Financial Commissioner should, while giving his evidence, be in a position to give the Committee any information which they might require regarding the results of the subsequent year.

3. *Paragraphs 95 and 96 of the Financial Commissioner's Review—Excesses requiring regularisation.*—The Committee accepted the explanations for the voted excesses in Grants Nos. 2, 3, 9 and 10 and non-voted excesses in Grants Nos. 1, 3, 7, 8, 11 and 14.

4. *Irregular Re-appropriations.*—The Committee went through the irregular re-appropriations mentioned in paragraph 28 of the Report of the Director of Railway Audit and came to the conclusion that none of them was important from the point of view of the Committee.

5. *Paragraph 5 (2) of the Auditor General's letter—General question of the treatment of Depreciation Fund.*—The Committee was informed that there were two questions involved (1) the allocation between the Depreciation Fund and capital in the case of renewals and replacements, and (2) the exact method of calculating the contribution to the Depreciation Fund. No conclusion had yet been arrived at as regards the first question, but, as regards the second question, the Financial Commissioner explained that the present method, though theoretically probably justifiable, in practice could not be considered

as leading to accurate results and the time utilised for keeping up the registers, etc., appeared to be an absolute waste. Without entering into the question as to whether the present contribution to the Depreciation Fund was adequate or inadequate it was suggested that the method of calculation should be simplified and that it should be based, as recommended by the Auditor General two years ago, on the capital at charge of the Railways. The Auditor General desired that the proposal, which he heard for the first time in the Committee, should be formally put to him in writing and that he should be given an opportunity of examining, in consultation with the Director of Railway Audit and the Controller of Railway Accounts, exactly what changes are going to be involved and whether he could conscientiously accept them as Auditor General. The Committee after considerable discussion agreed that if the Auditor General was satisfied with the proposed change, effect should be given to it without further reference to the Committee, but that a report should be made to them.

6. *Paragraph 5 (3) of the Auditor General's letter—Allocation of expenditure on rolling stock on Company-managed Railways.*—A memorandum (*Appendix IV*) was circulated to the Committee by the Railway Board in which it was explained that a draft convention on the subject was forwarded to all Company-managed Railways in June 1932 and that they were asked to obtain the concurrence of their Board of Directors but most of the Companies had not yet agreed to it. The Auditor General suggested that, at the next annual meeting of the Agents, the Railway Board should try and get as great a measure of agreement as possible and if they failed, the Agents of Company-managed Railways might be permitted to make their own proposals as regards allocation, which the Government Examiner would examine, and, if he thought that the proposed allocation did not satisfy the general conditions laid down by the Railway Board, the matter should be reported to the latter who would determine the question with reference to the contracts of individual Railways.

7. The Committee then adjourned till 2-30 P.M.

Proceedings of the Ninth Meeting of the Public Accounts Committee held on Wednesday, the 4th July 1934, at 2-30 P.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, Finance Member, *Chairman*.

Rao Bahadur M. C. RAJAH.

Mr. T. N. RAMAKRISHNA REDDI.

Mr. K. UPPI Saheb Bahadur.

Mr. B. DAS.

Captain SHEER MOHAMMAD KHAN.

Maulvi Sir MOHAMMAD YAKUB.

Dr. R. D. DALAL.

} *Members.*

Sir ERNEST BURDON, Auditor General.

The Hon'ble Sir ALAN PARSONS, Finance Secretary.

Mr. T. K. RAJAGOPALAN, Director of Railway Audit.

} *Were also present.*

Sir GUTHRIE RUSSELL, Chief Commissioner of Railways.

Mr. P. R. RAU, Financial Commissioner, Railways.

Mr. T. S. SANKARA AIYAR, Director of Finance, Railway Board.

Mr. B. N. MITRA, Controller of Railway Accounts.

} Witnesses.

8. *Paragraph 5 (4) of the Auditor General's letter—Question of productivity of Railway expenditure and the comparison of the financial results actually achieved with those anticipated.*—The Committee was informed that (1) the Railway Board, after discussion with Agents, have instructed them that tests to judge the productivity of capital expenditure should be applied to projects undertaken with the object of increasing earnings or reducing expenditure and that the duty of making these tests could be entrusted, under the general direction of the Agent, to the Accounts Department of the Railway which would work in consultation with other Departments of the Railway, (2) they have asked Railways to lay down definite principles as far as possible regarding the method to be employed in carrying out such tests and also in regard to the form in which schemes should be prepared so that the various items of expenditure thereon could be readily decided as to their productivity and (3) they have also circulated to Railway Administrations certain information in regard to the method adopted on the London Midland and Scottish Railway of testing the results obtained from capital expenditure on new works.

9. *Paragraph 5 (5) of the Auditor General's letter.*—The Committee agreed with the Financial Commissioner that the suggestion of the Director of Railway Audit that certain items of capital represented by assets not in use or by no tangible assets should be written off was hardly a practical proposition. The Committee was also of opinion that there was no point in writing off some of the items which had become valueless if simultaneously those assets, which had become more valuable, were not written up.

10. *Paragraph 5 (6) of the Auditor General's letter and paragraph 160 of the Report of the Director of Railway Audit—Apparent delay in the reduction of schedule of rates on the Eastern Bengal Railway.*—The Chief Commissioner explained that the changing of rates was a very complicated matter and a period of six months did not appear to him to be unreasonably long.

11. *Paragraph 5 (7) of the Auditor General's letter and paragraph 161 of the Report of the Director of Railway Audit—Apparently excessive rates paid for paint work on the Eastern Bengal Railway.*—The Chief Commissioner informed the Committee that no comparison could be made between the two rates as they were for two entirely different kinds of work. It was purely a matter of opinion as to which kind of work was cheaper in the long run.

12. *Paragraph 5 (8) of the Auditor General's letter and paragraph 162 of the Report of the Director of Railway Audit.*—The Committee was informed that in this case there was no modification of the terms of the contract but only in the original tender terms. The original tender documents specified English cement to be supplied by the Railway at a certain price but on a representation from the contractor he was allowed to use Indian cement. It was admitted that the contractor gained by the concession but contended

that, even so, the contract as a whole was an advantageous one from the point of view of Government. The position has been fully explained in the memorandum furnished to the Committee by the Railway Board (*Appendix V*).

13. *Paragraph 5 (12) of the Auditor General's letter and paragraph 211 of the Report of Director of Railway Audit.*—The Financial Commissioner agreed to exhibit separately in the Appropriation Accounts figures for ordinary stores, stores for special works and surplus stores, as desired by the Auditor General.

14. *Paragraph 5 (13) of the Auditor General's letter and paragraphs 244 and 250 of the Report of Director of Railway Audit—Overpayments to establishment.*—The Committee was informed that the Railway Board had issued instructions impressing on all Railway Administrations the necessity of taking special care to see that the orders issued from time to time were properly studied and correctly applied by the staff concerned.

15. *New Service.*—The Committee then took up the Memorandum (*Appendix II*) of doubtful cases of "new service" appearing in the accounts for 1932-33, furnished by the Auditor General. After considerable discussion the Committee came to the conclusion that the two items mentioned in the Memorandum, *viz.*, (1) construction of a ring bund at Damukdia and (2) regrading the track of the Delhi Jumna Bridge on the North Western Railway were not items of new service. The Auditor General then raised the question whether the practice of furnishing the Committee with a Memorandum of doubtful cases of new service, which was initiated in order to build up a certain amount of case law, should not be discontinued. He informed the Committee that all his principal Auditors throughout India had most meticulous instructions as to how to identify cases of new service and if the accounts of any year included items of new service, which was undertaken without obtaining a specific vote from the legislature, such items would in the ordinary course be included in the Audit Reports. In the circumstances, the Committee agreed to the discontinuance of a separate memorandum on the subject.

16. The Committee then adjourned till 11 A.M. on Thursday, the 5th July 1934.

Proceedings of the Tenth Meeting of the Public Accounts Committee held on Thursday, the 5th July 1934, at 11 A.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, Finance Member, *Chairman.*

Rao Bahadur M. C. RAJAH.

Mr. T. N. RAMAKRISHNA REDDI.

Mr. K. UPPI Saheb Bahadur.

Kunwer HAJI ISMAIEL ALIKHAN.

Mr. B. DAS.

Captain SHER MOHAMMAD KHAN.

Maulvi Sir MOHAMMAD YAKUB.

Dr. R. D. DALAL.

} *Members.*

Sir ERNEST BURDON, Auditor General.	} Were also present.
The Hon'ble Sir ALAN PARSONS, Finance Secretary.	
Mr. T. K. RAJAGOPALAN, Director of Railway Audit.	
Sir GUTHRIE RUSSELL, Chief Commissioner of Railways.	} Witnesses.
Mr. P. R. RAU, Financial Commissioner, Railways.	
Mr. T. S. SANKARA AIYAR, Director of Finance, Railway Board.	
Mr. B. N. MITRA, Controller of Railway Accounts.	

17. *Memorandum on the Financial Results of the Bombay Electrification Schemes.*—The Committee after considerable discussion came to the conclusion that in view of the present depression no definite conclusions could be drawn but noted that at present the percentage of net savings on the G. I. P. Railway did not cover the interest charges on the net capital outlay, but that in the case of the B. B. and C. I. Railway the net savings were more than the interest charges on the net capital outlay. They desired that the figures in the Memorandum (*Appendix XII to P. A. C.'s Report for 1931-32, Part II*) should be revised every year and placed before the Committee at least for the next two or three years.

18. Mr. Das desired that the statistics at present given in Appendix C to the Summary of the Results of working of Indian Railways for 1933-34, which would be discontinued from next year, should be included in the Financial Commissioner's Review.

19. The Committee then discussed with the Chief Commissioner the Administration of Railways in general and some of the recommendations of the Pope Committee.

20. The Committee agreed to the suggestion of the Finance Secretary that the Appropriation Accounts of individual Railways need not in future be printed and circulated to the members of the Committee.

21. The Committee then adjourned and decided to meet some time during the session of the legislature to consider the draft report of the Military Accounts Committee and the draft report of the Public Accounts Committee*.

THE INDIAN IRON AND STEEL DUTIES BILL.

Mr. President (The Honourable Sir Shanmukham Chetty) : The House will now resume consideration of the Indian Iron and Steel Duties Bill. It will be perhaps convenient if the House first takes up clause 4 which levies an excise duty on steel. Clause 2 gives power for imposing an additional duty and clause 3 simply relates to the Schedule. Therefore, if the Honourable the Commerce Member has no objection, clause 4 may be taken up first.

The Honourable Sir Joseph Bore (Member for Commerce and Railways) : I have no objection, Sir.

* The draft Reports of the Military Accounts Committee and the Public Accounts Committee were adopted by the latter at its meeting held on Saturday, the 18th August 1934, at 3 P.M.

Mr. President (The Honourable Sir Shanmukham Chetty) : Has the Leader of the Opposition any objection ?

Sir Abdur Rahim (Calcutta and Suburbs : Muhammadan Urban) : I have no objection.

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

“ That clause 4 stand part of the Bill.”

Dr. Ziauddin Ahmad. Amendment No. 10.

Mr. Sitakanta Mahapatra (Orissa Division : Non-Muhammadan) : May I just raise a point, Sir ? In the Select Committee, we took up first the Schedule and then clause 4, because the general opinion in the Committee was that after discussing the Schedule they would be able to know what would be the loss to the Government revenue and then we could settle what should be the incidence of duty.

Mr. President (The Honourable Sir Shanmukham Chetty) : The Schedule contains duties to offset the excise duty, and unless the House takes a decision whether there should be an excise duty or not, there is no point in taking up the Schedule.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions : Muhammadan Rural) : Sir, I beg to move :

“ That clause 4 of the Bill be omitted and the subsequent clauses be re-numbered accordingly and consequential amendments be made in the Bill as well as in the Schedule.”

My intention in moving this amendment is that there should be no confusion between the revenue duties and the protective duties. We should consider the protection business as a distinct proposition and quite apart from the revenue duty which is levied for revenue purposes. There ought to be an entirely separate Bill for the revenue duty and we should consider the position from the revenue point of view alone. In this Bill there has been a great deal of confusion by mixing the revenue and protection together. We know very well that the revenue duty can be utilised for the purpose of protection as well. Therefore, in the first instance, we give a full protection duty and then we put down a revenue duty for revenue purposes alone, and this, to my mind, leads to a confusion. We should take up the question of protection by itself and see what protection we are prepared to give to this industry. If, after giving the protection, the Finance Member is of opinion that for general expenditure some revenue should be collected from this particular source, then let him come forward with a separate Bill and propose this revenue duty. The usual time for a revenue duty is the 28th of February and I think we are now departing from the well-established principle by putting this revenue duty at all times of the year. Therefore, my submission is that we should remove the question of revenue duty from this Bill altogether and consider it in a distinct and separate Bill and then probably the Finance Member will be able to show why he needs that money. For that Bill the Finance Member alone should be responsible and not the Commerce Member. He should lay before us an estimate

[Dr. Ziauddin Ahmad.]

of expenditure and also an estimate of income and he should show that so much money is absolutely necessary in order to meet the expenditure and such and such revenue duty is essential. That is a thing which we ought to consider. Here we have come to the process of protection. We know that this House cannot refuse protection to the steel industry and Government have taken advantage of this fact by mixing up with it a new Bill which is entirely for revenue purposes and I think this is not justifiable. I do not wish to argue at the present moment on the intrinsic value of the proposition whether the excise duty of rupees four per ton is or is not necessary for revenue purposes. That is a point which we can consider separately. But I do object and object very strongly that we ought not to mix in this particular Bill the protection and the revenue duties together. We should first of all consider and decide definitely what protection we should give to the steel industry. It is a proposition by itself. If, after giving this protection, the Finance Member thinks that a duty should be levied for revenue purposes, then let him come forward with some definite proposition separately and then we will consider that proposition on its merits as to whether the country needs it and whether an additional taxation on the consumers of this country for revenue purposes is justifiable. It is essential that such duties should be both on home products and on imports. But, in the present instance, all the responsibility of the Finance Member has been shoved on the Commerce Member and no case has been made out that this additional duty is required. Therefore, I should have very much liked that this revenue duty should be levied in a separate Bill so that we may be justified in levying a new duty on the imports and a corresponding excise duty on the articles manufactured in this country. That would really be the right way of doing things, but as the Government was in a great hurry they had absolutely no time to swallow and digest all the facts, and that is evident from the manner in which proposals have been rushed through. It is also clear from the fact that they never examined even the balance-sheet of the Tata Company for this protection and it is also evident from the fact that they have not succeeded in laying even before the Select Committee the volume of evidence on which the Tariff Board has come to this conclusion. They are hurrying this measure very much. Sir, it would have been very much better if they had continued the operation of the old Act for another six months as they did last time in 1933. In this way they would have got time to digest the whole thing and then they would have been in a better position to come before the Assembly with some definite conclusions. They could then have come before us with two Bills—one providing for protection and the other levying duties for revenue purposes. With these words, Sir, I beg to move my amendment.

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

“That clause 4 of the Bill be omitted and the subsequent clauses be re-numbered accordingly and consequential amendments be made in the Bill as well as in the Schedule.”

Mr. T. N. Ramakrishna Reddi (Madras ceded Districts and Chittoor : Non-Muhammadan Rural) : Sir, as one who has given notice of a similar amendment, I have great pleasure in supporting the amendment moved by

my Honourable friend, Dr. Ziauddin Ahmad. Sir, I entirely agree with the remarks made by my Honourable friend on the question that, on principle, the Government ought not to introduce the excise duty in a protection Bill. It is entirely a finance measure and it must come only in the shape of a Finance Bill. Sir, I also support the amendment on the merits of the proposal itself. The object of the Government is to levy an excise duty on steel ingots made in this country. Steel ingots is a raw product for the manufacture of so many other articles of iron and steel. So, even according to the Fiscal Commission recommendation, raw products ought not to be taxed with excise duty. It is really a hurdle for the Indian industry to develop and to compete with other foreign industries. It cannot be said that there is over-production of this particular item of product. The excise duty can be justified only when there is over-production of a particular product or when there the industry brings excess profits. The other day, the House passed a measure for excise duty on sugar on the consideration that there was over-production of sugar in a short time, and also that large profits were being made by the industry and also because of the special consideration that 25 per cent. surcharge over and above the protection duty was imposed. The Government got back by way of excise duty the excess of protection that is given under the surcharge over the protective duty recommended by the Tariff Board. That is all what was meant by the sugar excise duty. But here no such considerations prevail. The industry is in a nascent condition and there is not over-production nor over-profiteering nor is the particular item a thing which ought to be prohibited. The Government might say that they have got proposed countervailing import duties to off-set this extra amount of burden. But that countervailing duty according to the Bill as drafted—I am not talking of what the Bill will be after it has been amended—this countervailing duty does not affect the most important articles, the imported articles such as galvanized sheets and structurals. This will not affect these things at all. For all these reasons, I have great pleasure in supporting this amendment that the excise duty ought to be removed from the Bill.

Raja Bahadur G. Krishnamachariar (Tanjore *cum* Trichinopoly : Non-Muhammadan Rural) : Sir I had also tabled an amendment similar to the one moved by my Honourable friend, Dr. Ziauddin Ahmad, and I, therefore, heartily support this amendment. The reason assigned for the imposition of this excise duty is that there is a loss of revenue consequent upon the adoption of the proposals contained in the Tariff Board report and that revenue must be made up somehow or other and the excise duty is the only way of doing it. I say the only way of doing it, because the Honourable the Finance Member the other day said that this excise duty forms a vital part of this Bill which, interpreted by the Honourable the Leader of the Opposition, was that, if this excise duty is not passed by this House, the Bill itself will be dropped. The first and the most important thing is how much revenue has been lost which they want to make up by means of this excise duty. So far as I remember, the Tariff Board reported that the deficiency will be 60 lakhs. But the Finance Department has reduced it to 30 lakhs. How much is the actual loss no one knows except the *ipsc dirits* of these two bodies. Where are the materials upon which they have come to this conclusion that the loss caused by the proposals in the Tariff Board report would be 30 lakhs and would not be 10 lakhs or would not be

[Raja Bahadur G. Krishnamachariar.]

anything less than that, so that the incidence of the excise duty may be determined with reference to the actual amount that is required to be made up. Ordinarily excise duties and other duties of this sort should have been made in the course of the Budget proposals, but in this case no doubt there is a special circumstance, because this thing did not come into existence at the time when the Budget was presented. The difficulty is this. At present you have no idea of the whole picture and of the resources and of the demands made upon the revenues of the Government of India in order to be able to conclude as to whether this excise duty is temporarily required, and, if so, what should be the rate at which that duty should be levied. It has been said—and I do not want to repeat it—that there are no materials upon which we should go on ; my Honourable friend, the Member in charge of the Bill, said that this duty will not be continued for one day longer than is absolutely necessary and until the resources of the Government of India allow the abolition of this duty. Sir, I do not know when the Government of India resources are going to allow the abolition of this duty, but I know this, that once a duty is imposed some how or other, that duty is never wiped out. I have lived long enough to remember the first initiation of the Income-tax Act during the Viceroyalty of Lord Dufferin when it was stated that the income-tax was imposed in order to make up for the deficit caused by the Burmese War and we have travelled a long way out of that. I can well remember when I was in college, Lord Dufferin visited Trichinopoly and triumphal arches with the slogan “cannot income-tax be abolished” greeted him all along the route from Trichinopoly to Srirangam. That was in 1887 or 1888 and today we are in 1934, only four years more to make up half a century. What is the result ? Time after time, the Income-tax Act was revised and the chord was drawn tighter and tighter round the neck of the Indian people, and whenever the Government wanted funds they thought that this two thousand limit was too high, and, therefore, they said that we will have one thousand. I know at one time we had the limit up to Rs. 500 and it was a mercy that it was raised to Rs. 2,000. Now, again, it has come to Rs. 1,000. The surtax and all those adjuncts of the income-tax, together with the extraordinary procedure adopted by the Income-tax Act, we have now experienced. We all know that once an Income-tax Officer imposes a duty, there is absolutely no power on earth which would help the assessee to get out of the grip of the assessment. That is the way in which the promise of Government that it shall not continue one day longer than is absolutely necessary is actually fulfilled. I do not say there is any wrong intention in that. I do not say that the Government wilfully make a false statement or a statement which they knew could not be fulfilled. What I do say is a fact which is patent in the annals of the tax-imposing history and record of the Government of India. Where is there any guarantee that this excise duty will be abolished even if the resources of the Government of India happen to clear up on one side. Sir, the Government of India's resources are perpetually on the wrong side. (Hear, hear.) Sir George Schuster, in one of his speeches, I think it was the Budget speech, said referring to the return of prosperity to this country that we have turned round the corner. I am afraid we have not turned round the corner. I am afraid we are now looking towards the corner and trying to look round the corner and I do not think we have defi-

nately turned, and, so far as circumstances go, I do not want to be a prophet, unless you know the whole thing you cannot judge of the future from the existing circumstances and conditions. There is absolutely no chance for this duty being wiped at least for the next 18 months, and, after that, we do not know what will happen? "Sufficient unto the day is the evil thereof". I would, therefore, respectfully submit that until this House is satisfied that they want this excise duty by reason of the fall in the revenue, until all the materials are placed before us and until this House is in a position to determine for itself that such a thing is absolutely necessary, it is not right, and I will ask this House not to accede to the proposals made by Government.

Sir, I heard that during the discussions in the Select Committee in order to determine whether it is necessary to impose this excise duty or not, they first looked up the Schedules and tried to find out if they could not scrape off a few lakhs of rupees in order at least to reduce the incidence of this excise if they could not completely wipe it out. I do not know what happened; it is not possible for me to know what items of the Schedule were examined and what is the result of the whole thing. The fact is that they had made up their minds to say that if this excise duty were not agreed to, the protection would not be given. That is not the way to treat this House. You must tell us why you want this and what attempts you have made in order to recoup your revenue by other means before you impose fresh taxation. That procedure has not been followed, and I say that in the absence of that procedure or in the absence of any information regarding the same, I respectfully submit that this excise duty ought to go out of this Bill, and I ask the House to reject this proposal.

Mr. Jagan Nath Aggarwal (Jullundur Division : Non-Muhammadan) : Sir, I have great pleasure in supporting this amendment. In fact, Sir, one feels that we are having excise after excise and that has become the order of the day. We had an excise on sugar, we had an excise on matches, we had an excise on mechanical lighters and now we have an excise on steel. One has to examine the justification for this measure. The odd combination which this Bill presents to the House is at once apparent. On the one hand it is said that this iron and steel industry is such a national concern that we must protect it from cheap goods from outside and that we must see to it that this industry is allowed to grow up for the benefit of the country at large. Well, Sir, protection in a fairly large measure has been granted to the iron and steel industry during the last six or seven years, and we propose to continue that protection for the next few years to come. Then, Sir, what is the justification of the excise? Excise is, so to say, levied on the products of this very concern for whom the taxpayer is asked to pay as a measure of protection a good deal of bounty. The two are, from my way of looking at it, inconsistent. If the thing is worth protecting and you erect a tariff wall for its protection, there should be some point in levying an excise on this very concern. There can be three alternatives. You might say you levy an excise because protection has led to profiteering. From the report of the Tariff Board and other material available to us,—and I suppose my Honourable friend, Mr. Mody, will be able to say whether they are busy in profiteering or they are only getting on,—it is not because of profiteering that this excise is levied. Then, Sir, the two other alternatives are either political considerations or the de-

[Mr. Jagan Nath Aggarwal.]

mands of the revenue. So far as the demands of the revenue are concerned, the resources of the Government of India and the various directions in which they can expand are so many and so various that this little impost of a sum of 30 lakhs of rupees is certainly not one of those important avenues for raising revenue which would be looked to for filling any gaps in the revenues of the Government of India. All that one can say is that this excise has been put in as a countervailing duty to the impost of ten per cent. on British steel. Well, Sir, it reminds me of a long forgotten duty, the countervailing excise duty on textiles. In the early nineties when that countervailing excise duty on Indian made cloth was levied, it was the result of a duty levied on British cotton goods imported into this country. The argument was like this. Ordinarily cotton goods are entitled to come into this country duty free. If you are going to levy a duty on British goods, you should not leave the Indian mills free to make money in this country, regardless of the fact that Indian mills exist for India and other mills do not exist for India. Well, Sir, this argument appealed, and since Lancashire had the ear of the Secretary of State in the matter of directing operations from abroad, that duty remained, much against the wishes of the Indian people, till ultimately when the mill industry was in a very sad plight, that duty was removed.

Diwan Bahadur A. Ramaswami Mudaliar (Madras city : Non-Muhamadan Urban) : And that is now coming back.

Mr. Jagan Nath Aggarwal : As a result of the Round Table Conference or what? Anyway, Sir, whether it is coming back or not we shall see; in fact it is a part of the system of excise duties that are coming up every day. But one would like to see the justification for this measure. I would say that it is an odd combination of putting in excise and putting in protection at the same time; and all that the Select Committee has been able to do is to tinker with the position, because it had been made fairly clear that if you want protection you shall have to swallow the excise. If that is so, all that we can do is to register our protest against this inequitable impost and we say that no occasion has arisen for levying this excise duty, and the juxtaposition of these two duties in this Bill is very unfair.

Sir Cowasji Jehangir (Bombay City : Non-Muhamadan Urban) : Sir, there is just one remark that fell from my Honourable friend, Dr. Ziauddin, with which I am not in complete agreement, and that was when he said that this Bill has been considered in haste and was hurried through this House. Perhaps the Honourable Member, Dr. Ziauddin.....

Dr. Ziauddin Ahmad : I am sorry, but I never said it was hurried by this House; I said it was hurried by Government themselves without giving us the necessary material.

Sir Cowasji Jehangir : My Honourable friend, Dr. Ziauddin, will remember that Government extended the present Act to enable them to consider their proposals with the greatest care and the greatest precision. Therefore, I do not think it is possible to either accuse Government or the Select Committee or anybody of undue haste. It was refreshing to find another Honourable Member who supported this amendment informing the House that there was no profiteering with regard to

the Steel Company. My Honourable friend, Dr. Ziauddin, who occupied over 50 minutes yesterday, tried to make out that there were invisible profits which were only visible to himself but, I am glad to find, are not visible to other Members. But there is just one point about this excise duty which I should like to emphasise. A great deal has been said in this House about the burden on the consumer. When an industry is protected necessarily some burden does fall upon the consumer and the consumer and the country are prepared to bear that burden in the hope of getting a handsome return in the future in more than one direction. As regards the excise duty, this burden has been increased not for the purpose of protecting the industry : the public must clearly understand that. I hope that there will be nobody in this House or in the country at large who believes that the price they will have to pay for their steel in India in future is necessary in order to protect the steel industry. Government found that protection to the steel industry in the past was a gold mine for themselves, and not desiring to lose that gold mine when lesser protection was required, they have found ways and means of increasing the burden on the consumer for their own purposes ; and, therefore, when the people of this country in the future will be called upon to bear certain burdens, let them clearly understand that the whole burden is not paid for the protection of the industry. A part is paid for the protection of the industry and a part is paid to increase the revenues of this country. That is a point which must be made perfectly clear in this House and to the public at large. I do not want to go into the question of this excise duty on its merits. I understand that a large majority of the Select Committee agreed to this excise duty as a compromise (*An Honourable Member* : " Not a large majority "), and I am prepared to stand by any compromise that my friends may have made in the Select Committee. I must state that I am connected with the Steel Company, I am one of those unfortunate beings whom my Honourable friend, the Doctor, damned yesterday—I am a shareholder,—I am prepared, as far as I am concerned, to stand by any compromise which the Select Committee may have arrived at, and, therefore, personally I am not going into the question of this excise duty on its merits. But I will repeat that the House and the public must clearly understand that the price they will pay for steel in future will not be due only on account of protection.

My Honourable friend, the Doctor, who always studies questions that come before this House with great care, is sometimes given to postponing the study of those questions till the night before, when with his usual energy he burns the midnight oil and comes forth the next morning having had a sleepless night, with figures galore and with facts, may I state, sometimes rather confused. He will excuse me if I tell him that these questions require a little deeper study, and even a mathematician of his standing and reputation requires a little more than twelve hours to study the whole question, and, therefore, during the remaining part of the debate on this Bill, I trust the Doctor will spare us facts and figures : he has given us ample facts and figures, and I hope he will spare us any more.

Mr. Vidya Sagar Pandya (Madras : Indian Commerce) : Sir, the question has been raised whether it is proper to put excise duty in a Bill for protection. My friend, the Honourable Dr. Ziauddin Ahmad,

[Mr. Vidya Sagar Pandya.]

says that, if this had come after protection had been granted, probably he would have agreed to the excise duty.....

Dr. Ziauddin Ahmad : No, I did not say that. I said I would have probably agreed if the Finance Member had been able to make out a case that additional income was needed.

Mr. Vidya Sagar Pandya : My friend, the Honourable Sir Cowasji Jehangir, has spoken about certain compromises : I do not know where those compromises were made and what were the terms of the compromises. But I have heard of certain stories—or rather newspaper reports somewhere, that if the Members of the Select Committee agreed to the imposition of the excise duty, then the Government would agree to put a ten per cent. duty on British steel products. I would like to know if this House, by any fluke of voting, happens to reject the excise duty, is the Government also going to bring forward an amendment to remove the ten per cent. duty on British goods, proposed by the Select Committee ? Are they bound by the compromise and was any compromise entered into ? If any such compromise was even contemplated it would amount to political corruption (Opposition Cheers)....

Sir Abdur Rahim : May I give the information to the Honourable Member as I was a Member of the Select Committee that there was no compromise and no bargain ?

Mr. Vidya Sagar Pandya : I am very glad to learn from my Honourable friend, the Leader of the Opposition, that there was no compromise. I do not know how the newspapers got the information—probably they are busy-bodies and they must find something to write about ; and, because there was no such compromise, I have nothing further to say.

Maulvi Muhammad Shafee Daoodi (Tirhut Division : Muhammadan) : Sir, I have also been watching the proceedings on this Bill. At the first stage, we heard a lot against the imposition of the excise duty on the products of the Steel Company ; but I find that in the Select Committee there was no such opposition to the imposition of that excise duty. On the other hand what we find is that upon British products the protection has been, by some arrangement, raised to an appreciable extent. That gives rise to a suspicion in our minds as to why this change has taken place in the attitude of those who were opposing the excise duty. Just now our Honourable friend, Sir Cowasji Jehangir, has told us that there was some compromise in the Select Committee ; but it appears that this compromise was not made to the knowledge of Honourable Members of the Select Committee as our esteemed Leader, Sir Abdur Rahim, has just put it. . . .

Sir Cowasji Jehangir : May I just point out that I said I understood there was some compromise ? I was not a Member of the Select Committee nor was I here : I said, I understood that was the case, and I trust the contradiction will be accepted by the House.

Mr. N. N. Anklesaria (Bombay Northern Division : Non-Muhammadan Rural) : On a point of information, Sir. Will Government say exactly what happened ?

Mr. President (The Honourable Sir Shanmukham Chetty) : So far as the House is concerned, it cannot take note of any compromise that has been arrived at.

Maulvi Muhammad Shafee Daoodi : But that is what appears from the report of the Select Committee as I have just now shown to the House. It appears that any arrangement that was made between the imposition of the excise duty and the raising of the protection duty was done with the consent of some Members of the Select Committee, not with the consent of all. That is the inference that can reasonably be drawn from the facts on record. Now, could we see that yesterday also, in the course of the discussion on this Bill, save a few gentlemen, those who had spoken against the excise duty in the first instance did not open their lips against it. They did not even suggest whether this excise duty was wrong in principle. It appears, Sir, that there seems to have been some understanding, if not a compromise, arrived at between the Government and the Tatas. If this understanding had been to the benefit of the people at large, I would have had no objection at all. But I find that by this understanding the consumers are going to be hit and greatly hit, and that is the reason why I take the strongest exception to this sort of understanding. It is obvious that the consumer would have to pay the excise duty as well as the protection duty which has been raised to ten or 20 per cent. in some cases,—he will have to pay those ten per cent. or 20 per cent. in some. This attitude of the Government is not at all satisfactory and, therefore, I take very strong exception to it, and I hope that the House will see that the attempt of the Government or of Tatas which is going to impose a heavy burden on the consumers is frustrated.

Sir Abdur Rahim : Sir, after what has fallen from the previous speaker, it has become necessary for me to intervene in the debate and say a few words to clear up the position. The House will remember that when the motion for reference to Select Committee was before the House, I raised the question whether it would be open to the Select Committee to deal with this question of excise and report against this duty, and, secondly, what would be the attitude of the Government with reference to this excise duty, and both the Honourable the Leader of the House and the Finance Member made it clear that they would stand by the excise duty, and if the excise duty was to be removed, then, so far as the Government were concerned, it would mean dropping the Bill altogether. That was made absolutely clear, and with that understanding we went into the Select Committee. There was no question, so far as the Members of the Select Committee other than representatives of the Tatas were concerned, of any bargaining. We were not concerned as members of the public to bargain with the Government about this matter, and, therefore, I can inform this House that in the Select Committee, so far as we were concerned, we did not give any countenance to any idea of any kind of bargaining or compromise. Our position was perfectly clear, that we were to deal with all the questions raised as fairly as possible and to the best of our judgment, and the decision of the Select Committee would depend entirely on the merits, and it was not a question of bargaining at all. Sir, we had to take into consideration the fact that the Government were not prepared to give any protection to the Tatas unless we agreed to the imposition of excise. That was a very important fact, which not only the Select Committee but this House itself had to take into consideration. That

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could not be said to be a question of bargaining at all. When any measures are brought forward before the House, we have to consider how far we can go and how far we cannot go. That was exactly the position with reference to this matter and nothing more. That is all I have to say.

Mr. K. P. Thampan (West Coast and Nilgiris : Non-Muhammadan Rural) : Sir, after listening to what my esteemed friend, the Leader of the Opposition, just said, I am in a position to understand the attitude of my friend, Mr. Mody, who has not raised his voice against this proposition. If I were he, I would have hurled all the anathemas on the heads of the Government Members sitting opposite. Sir, I am neither a shareholder nor have I any other interest in the Tatas than that of an ordinary consumer. I do not want to repeat the arguments that have been already advanced by the previous speakers, but I do want to point out one serious difficulty which might arise in the working of this measure, and I would like to know what the Government are going to do in that matter. We have heard, Sir, that the Government of Mysore have decided, in their budget proposals for the next year, to provide 21 lakhs of rupees with a view to improving their iron works at Bhadravati to start the manufacture of steel. When they do that, will not this levy be a tremendous lever in the hands of the Mysore Government to oust the Tatas from the field ? If it were a private industrial concern, the Mysore Government could co-operate by levying an excise duty on their steel, but inasmuch as it is a Government concern, the Government of Mysore cannot levy an excise duty on their own works, and, therefore, there will be a distinct margin of advantage in favour of the steel produced in Mysore. That aspect of the question has to be considered by the Government. I support the motion.

Mr. H. P. Mody (Bombay Millowners' Association : Indian Commerce) : Mr. President, the remarks which have just fallen from my friend, Mr. Thampan, make it necessary for me to intervene in the debate, though I should have very much liked to avoid doing so. Mr. Thampan reproached me for not hurling,—I do not know whether he meant bombs,—(Laughter),—anathemas at my friends on the opposite Benches. My position is very plain. So far as the excise is concerned, it is to me like a dose of medicine. My friends might as well ask me whether I like a dose of medicine ; my answer is, if I am faced with the alternative of either suffering an illness or taking a bottle of medicine, naturally as a prudent man, I would take the bottle of medicine, particularly if I was assured by my doctor that beyond one bottle of the mixture I would not be compelled to take any of the stuff. (Laughter.) Now, Sir, some misunderstanding seems to have been created by a remark which fell from my friend, Sir Cowasji Jehangir. He was not a member of the Select Committee, and, therefore, he could not say anything from his own personal knowledge. I do not understand why there should be any room for misunderstanding on this question. We were faced with this position. The Government showed their goodwill by making a few concessions. They, at the same time, made it clear that they would insist upon the excise duty, and that if the duty was done away with by the Select Committee or in the open House, they would have to reconsider the whole position, and might even have to go the length of withdrawing the Bill. In these circumstances, Sir, like prudent practical men, most of the Members of the Select Committee took the position that they would not press

for the deletion of the excise duty, and that is why my friend, the Leader of the Opposition, and most of us did not put in any dissenting minute on the excise, and that is precisely why, we who have been parties to the Select Committee's Report, do not want to make any trouble over the question in the House. I hope, Sir, that the assurance given by the Government Benches that the excise duty will be removed at as early a date as possible will be implemented in every possible way, and that they will not leave the matter with just a vague assurance. I hope that the Government mean something when they say that at the earliest moment this duty would be removed. With that position, Sir, I am content for the present.

Mr. Gaya Prasad Singh (Muzaffarpur *cum* Champaran : Non-Muhammadan) : Sir, my Honourable friend, Mr. Mody, has, in the few remarks which he has made, put the position of the Tatas clearly, and it is this, they want protection even if the consumer's interest is adversely affected.....

Mr. H. P. Mody : It is not a question of the position of the Tatas. It is a question of the position of the Select Committee.

Mr. Gaya Prasad Singh : I am not bound by what transpired in the Select Committee. I was not a Member of the Select Committee.

Mr. President (The Honourable Sir Shanmukham Chetty) : Order, order. What the Honourable Member, Mr. Mody, says here in his speech must be taken as an expression of his opinion as a Member of this House and as a member of the Select Committee, and not as the representative of the Tatas in this House.

Mr. Gaya Prasad Singh : Whatever that may be, we know Mr. Mody's position when he was a Director of the textile industry of Bombay in which capacity he visited Lancashire and gave us the benefit of his results.

Mr. H. P. Mody : I am glad you appreciate them. (Laughter.)

Mr. Gaya Prasad Singh : However, I understand that the Tatas are willing to swallow this dose of medicine which has been administered in the shape of an excise duty provided they get this scheme of protection.

Mr. H. P. Mody : I strongly object to these remarks.

Mr. President (The Honourable Sir Shanmukham Chetty) : Order, order. The Chair would like to draw the attention of Honourable Members to the undesirability of making a reference of that nature. It is for this House, as representing the public, to decide whether protection is to be given to an industry, and under what conditions it should be given. They might take the advice of the representatives of the industry if they so choose, but they need not at all be influenced by what the representatives of the industry themselves think about it.

Mr. Gaya Prasad Singh : That is what I am submitting. I am submitting that I am in favour of giving protection to the Indian steel industry of this country, but at the same time, I am here to guard the interests, the legitimate interests of the consumer, and the imposition of this excise duty will mean a heavy burden on the consumer. When we inaugurated in 1924 a scheme of protection to the Tatas, we thereby threw a burden on the consumers in the shape of increased prices of the imported articles into this country, but we undertook to do it in the hope that in course of time the industry would be able to stand on its

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own legs and would be in a position to withstand world competition, and that as a result of that the products of the Tatas would be sold at a lower price, and, thereby, the burden which was then thrown upon the consumers would be considerably lessened. This industry is within a measurable distance of attaining that position when it will be able to do away with this protective duty, and we find, that an excise duty is being saddled upon the consumers. My Honourable friend, Mr. Mody, stated that he has been assured by Government that this will be taken off at the earliest possible opportunity.....

Mr. F. E. James (Madras : European) : The House was being assured, not Mr. Mody.

Mr. Gaya Prasad Singh : But Mr. Mody, as a Member of this House, has taken this assurance at its face value, while some of us who know better are not prepared to take this assurance of the Government at its full value. Mr. Mody must remember that the cotton excise duty which was imposed on the textile industry of Bombay was maintained for a long number of years, and that his efforts and the efforts of his friends from Bombay did not avail until we took up the question in the Legislative Assembly and it was with great difficulty that the excise duty was eventually abolished. Mr. Mody must have a very short memory to forget what happened with regard to his old industry with which he has burnt his boat and broken his bridge. (Laughter.)

Diwan Bahadur A. Ramaswami Mudaliar : What does it matter if the bridge is broken, if the boat has already been burnt ? (Laughter.)

Mr. Gaya Prasad Singh : We have got very unpleasant experiences in these matters. With regard to the present assurance of the Government also, I do not know how far we should rely upon it. The plain fact, which emerges as a result of this imposition of the excise duty, is that the prices of the products of Tatas would likely increase, and they would not have to suffer. I am not referring to Mr. Mody, I am referring to the Tata Company. The imposition of the excise duty will result in this that the Tatas will increase the prices of their products and naturally this burden will fall upon the consumer, and it is, therefore, in his interest that this excise duty should not be levied. It is in the interests of the consumer that this excise duty should not be imposed. I am not very much impressed with the threat which is held out by the Government that unless this House accepts the excise duty the Government will not be willing to give protection to the industry. I hope that those of us who claim to be the champions of the interests of the consumers will not be much cowed down by this threat, but will press this motion to a division and vote in favour of the removal of the excise duty.

Mr. B. Das (Orissa Division : Non-Muhammadan) : Sir, like the wise statesman that my Honourable friend, Mr. Mody, is, he has made his position clear. He said that in a statesmanlike way he and the majority of the Select Committee members accepted this levy of excise duty as a settled fact like the Bengal Partition of the old days. I am one of those minority members who opposed the levy of the excise duty on the floor of the House and in the Select Committee, and we have appended our minutes of dissent which I hope the House has appreciated. In the course of discussion this morning, it came out, although there was no compromise—I take this opportunity to say that it is beneath me to

enter into any compromise with the Government either on the floor of the House or in any Select Committee—but it came out that there had been some negotiations. Whether the negotiations had been in the lobby or in the ante-chambers of the Commerce Member I do not know, but knowing the great part which my Honourable friend, Mr. Mody, played during the passage of the Safeguarding of Industries Bill and the Cotton Textile Protection Bill, I cannot say that he is not susceptible of playing the part of a negotiator. I am not concerned with that, but I will refer to the speech of my Honourable friend, Sir Leslie Hudson, while he was speaking when this Bill was referred to Select Committee. He said :

“ I may point out that in their note to Government, dated the 19th July, Tatas suggested that a condition of the admission of British steel, free of duty, should be its compliance with the standard specification and to that I imagine no British steel importer could take exception.”

I had the temerity to interject :

“ Is that a public document that the Honourable Member is quoting from ? ”

Sir Leslie Hudson's reply is :

“ I believe it is to be found in many quarters.”

It has not found access to this quarter of the House, although it has found access to that quarter of the House.

Mr. F. E. James : May I inform my Honourable friend that the document was widely published in the nationalist press of this country ?

Mr. B. Das : I am not an Englishman by birth, and I can only interpret the English words in their plain meaning. My Honourable friend wants to put a different meaning to the implication of Sir Leslie Hudson's speech. However, I am not concerned with that, but I believe there have been certain talks between the representatives of the Tatas, my Honourable friend, Mr. Mody, and the gentlemen on the European Benches. At the outset, Sir Leslie Hudson was doubtful whether the levy of an excise duty was the proper thing to be done in the case of steel. But after sitting on the Select Committee, when he spoke yesterday, it appeared that his doubts were completely removed and he now believes in the levy of an excise duty. He is so much enamoured of this excise duty that he thinks it is the only thing that will help the Indian steel to continue its attenuated existence in India.

Mr. F. E. James : May I interrupt my Honourable friend ? He is putting sentiments into Sir Leslie Hudson's speech, which are quite foreign to the sentiments he expressed.

In explaining the point of view of the European Group yesterday, he was careful to say that we had reluctantly agreed to the imposition of excise, but that it was subject to two very important considerations, of which he reminded the Honourable the Commerce Member and the Honourable the Finance Member, which influenced him in arriving at that decision. I, therefore, appeal to my Honourable friend, Mr. Das, to be accurate in his statements and give due weight to the considerations set forth in the speech of the Leader of our Group.

Mr. B. Das : Thank you, Mr. James. That leads me nowhere. I particularly noted this assurance and the two conditions which the Leader of the European Group defined, but that does not lead me away from the humiliating position that the Government are going to levy an excise duty and which excise duty will be a halter on the steel industry. As my Honourable friend, Mr. Thampan, just pointed out, and I read in the

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press yesterday only, that the Mysore Government have sanctioned nearly 21 lakhs to start a steel plant. Sir, the Tatas have been nurtured on the large amount of bounty and protection which they have received for the last ten years. They can even stand for a few years more on their legs until British steel can drive the Indian steel completely. But Mysore steel will find the greatest difficulty from the outset.

I was referring to the speech of my Honourable friend, Sir Leslie Hudson, the Leader of the European Group. The result of the negotiations in private and the assurances that were asked for on the floor of the House demanded various things. He said that the Tatas should not extend manufacture of their coke. He said something about the tin bars. The Honourable the Commerce Member, the Leader of the House, made it clear that Tatas made a most foolish agreement with the tin plate industry, and I know that the tax-payers paid more price to the steel in India, which was due to the foolish agreement which Tatas originally entered into with the tin plate industry from which they could not get out and the Honourable the Leader of the House the other day said that they must enter into an agreement with the tin plate industry in a way that will help the steel industry.

Diwan Bahadur A. Ramaswami Mudaliar : I thought it was the other way. Tatas fixed a price which was far in excess of what was necessary for the tin plate industry, and my Honourable friend, the Commerce Member, said that it was due to Tatas themselves that they should revise the contract in favour of the tin plate industry.

Mr. B. Das : Certainly, I am paying a compliment to my Honourable friend, the Leader of the House, that he noted that foolish mistake of Tatas.

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions : Non-Muhammadan Rural) : They gained by this contract....

The Honourable Sir Joseph Bore : I had absolutely no intention of intervening, but I must say that far from being foolish, Tatas were quite sane over this matter. They entered into this contract, because it was to their advantage. But it is useless trying to clear the mind of my Honourable friend, so I made no attempt to correct him.

Mr. B. Das : Do I understand that the original agreement with the tin plate industry was favourable to the steel industry? Then, I am afraid, the Leader of the House has not read the first Tariff Board's report. I am referring to the original Tariff Board's report of 1924 and how the country was penalised, because the Tatas entered into a foolish contract with the tin plate industry.

Mr. H. P. Mody : We rectified it by being smart the second time.

Mr. B. Das : You become smart after making the country pay terribly for your mistake. You learnt your smartness too late. Then the Honourable the Leader of the European Group also mentioned as a sop to the re-rolling industry that bars should come free of duty.

Mr. President (The Honourable Sir Shanmukham Chetty) : We have not come to the third reading yet.

Mr. B. Das : I was referring to the negotiations that have gone on behind the scenes. I shall reserve my remarks on this subject till the third reading.

Now, coming to this excise duty, I am opposed to it, and if we had a national Government, our Chancellor of the Exchequer would not have dared to bring forward a measure of this kind. He ought to have waited till the next Budget season, and then he can bring out a Bill embodying this proposal. Today the country is of opinion that the Government have some ulterior purpose behind this proposal of levy of an excise duty. The Government are not responsible to us. I do not like to repeat what I spoke on the last occasion. I will only read two lines from my own minute of dissent and sit down : I said :

“ Government must wait till the next budget time, if, revenue deteriorates due to the present protection Bill. Government cannot dispel the suspicion that they are deliberately putting a handicap on Indian steel.”

Sir, that is my charge against the Government.

Mr. President (The Honourable Sir Shanmukham Chetty) : I must remind the House that the House will sit this afternoon till about six o'clock.

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

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

Mr. N. N. Anklesaria : Sir, the episode about the proceedings of the Select Committee must have come to some of us at least as a matter of great humiliation and regret. Certainly, Sir, the explanations given by Honourable Members who sat on the Committee from the Opposition side will not enhance their reputation for grit or their reputation for their power to stand up for what they regard as just and true in the interests of our country. Sir, I have got too much respect for my Honourable friend, Sir Abdur Rahim, and some of his colleagues to think that the explanation vouchsafed here was quite the correct explanation. I think the more correct explanation was the absence of visitors' galleries and Press galleries at the meetings of the Select Committee. Sir, in the Select Committee, Honourable Members become much more responsible and much more reasonable than you find them here (*Mr. S. C. Mitra* : “ Question ”), and as my Honourable friend questions that, I will give a convincing proof of the truth of my statement.

Mr. Gaya Prasad Singh : You are speaking from your own experience.

Mr. N. N. Anklesaria : In this House, Member after Member has talked of Government Members violating pledges and disregarding promises made in this House. What are the Select Committee people satisfied with ? In the seven operative paragraphs of their Report there are five paragraphs in which Government give mere assurances and my Honourable friends who have been talking about broken promises and violated pledges are perfectly satisfied with those assurances. Is that not reasonableness, Sir ? Sir, that is neither here nor there (*Mr. Gaya Prasad Singh* : “ Nowhere ”), but I now come to the question of excise. Sir, excise has got a very bad name in India, thanks to the agitation of the Bombay millowners at the time the Fiscal Commission was sitting. The prejudice against excise was started and I must say fomented by the

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Bombay millowners, but as I said, Sir, sentiment is never a companion of reason or common sense. The question arises—why have the Government selected excise as a form of taxation in connection with the present measure? Sir, when we gave protection to the steel industry in India, it was envisaged, that a fresh adjustment would be necessary of the protective tariffs at the end of the protective period, and that was as it ought to be, because, if there were no readjustment of tariffs, then it would be tantamount to admitting in the most signal manner possible the failure of the whole scheme of protection. Fortunately for India and fortunately for the industry, that is not the case, and the tariffs have got to be readjusted. But, how shall these tariffs be readjusted? The Tariff Board stated that it was possible now to re-adjust the tariffs in the interests of the general consumer, especially of the agriculturist and in the interests of the subsidiary industries and in the interests of public utility concerns. Now, as regards the consumers' interests and as regards the interests of the subsidiary industries, I have nothing to say, because it is so transparent and self-evident, but as regards the public utility concerns, Members have spoken against the Government's view that the tariffs should be in the interests of public concerns. But imagine, Sir, the public utility concerns in India are mostly Government concerns, and by imposing tariffs on the materials used mostly by Government public utility concerns, you take away with one hand what you give with the other by your protective tariffs. Sir, secondly, the Tariff Board stated and stated in a most distinct and definite manner that the new scheme should be adjusted so as to implement the promises and understandings which were made in connection with the Ottawa negotiations and Agreement. Sir, I just want to read one or two lines from the Tariff Board's Report to show how definitely and how distinctly that object was put forward by the Tariff Board. On page 62 of their Report they say :

“ We have, however, decided to adopt the other method which is calculated to give the British manufacturer a definite advantage consistently with the interests of the Indian industry. Our object in doing so is to maintain as far as is now possible the principle of reciprocity underlying the Ottawa Agreement relating to galvanized sheets,” etc.

Sir, when the Tariff Board is so very definite and when our understandings and our promises were so very definite, relying on which the British Government made it possible for our products to replace continental imports into England, I ask why should this Government be so squeamish about mentioning that fact before this House? Sir, I will not take up the time of this House by reading the relevant portion of your report concerning the Ottawa negotiations, but I rely specially on paragraphs 73 and 76 of that report. Anybody who wants to know what the British Government has done for encouraging the imports of Indian steel and Indian iron into England with a view to replace continental products should read paragraph 73 of that report carefully.

Mr. B. Das : Does my Honourable friend know that the Tata's have suffered a great loss by sending pig iron to England?

Mr. N. N. Anklesaria : No, Sir, I do not know that. Besides, that is absolutely irrelevant to my argument.

Mr. B. Das : In that case my Honourable friend's whole speech is irrelevant.

Dr. Ziauddin Ahmad : They sell it Rs. 11 per ton cheaper.

Mr. N. N. Anklesaria : We may be very weak in a military sense and we may be very weak in a financial sense, but our power to negotiate with outside countries on account of our having 300 million consumers of commodities.....

Mr. President (The Honourable Sir Shanmukham Chetty) : Order, order : The amendment is about the removal of the excise duty.

Mr. N. N. Anklesaria : I am talking about the excise duty. Sir, I say that our power which comes from having 300 million consumers of commodities is absolutely unrivalled in the world. It is the realization by Great Britain and by the Indian Government and by our public men of the existence of our 300 million consumers that will enable us to carry through negotiations with Great Britain much more rapidly and much more efficiently than the wicked murders of a few Englishmen and a few native officials in India. Sir, the existence of 300 million consumers will make any country desire our good will and fear our hostility.....

Mr. President (The Honourable Sir Shanmukham Chetty) : Order, order : The Honourable Member's observations are thoroughly irrelevant over the amendment.

Mr. N. N. Anklesaria : I bow to your ruling, Sir, but if you will bear with me for a minute.

Mr. President (The Honourable Sir Shanmukham Chetty) : The Chair has borne with the Honourable Member for about ten minutes.

Mr. N. N. Anklesaria : Now, Sir, how is that loss to be recouped ? Shall we impose more duties on the consumers in order to recoup that loss or shall we impose more income-tax ? Naturally, my Honourable friend, Sir Cowasji Jehangir, looks at me with a good deal of misgiving.

Sir Cowasji Jehangir : I have been looking at you the whole time.

Mr. N. N. Anklesaria : I may assure him that I am not going to suggest an increase of income-tax. The only remaining method by which, and, as the Tariff Board says, the most obvious method by which, you can recoup your revenue loss is the excise duty. The other day I challenged my Honourable friend, Mr. B. Das, to give us any other alternative to this excise. My Honourable friend said that he would give out that alternative when his turn came and he would allow the Finance Member to reply to him. Sir, I patiently and most attentively listened to the speech of my Honourable friend, Mr. B. Das, that day, but not one word did he say about the promised alternative in his whole speech nor has my Honourable friend suggested in his minute of dissent any other alternative which would be called a better alternative to excise. Sir, as I said, this excise has got a bad name but, after all, it is not such a bad thing as people imagine it to be. My Honourable friends who have been railing against excise would be surprised to hear that for 50 years England put an excise on the manufacture of her cotton cloth, from 1784 to 1834, and that was in the fitness of things. That fact is related by the Fiscal Commission themselves on pages 69-70. Sir, the Industry has been getting the benefit of the protective duties and when a stage has arrived when those protective duties have achieved what they were meant to achieve, it is just and proper and it is only fair to the consumer and the tax-payer that the industry must bear the burden of the excise

[Mr. N. N. Anklesaria.]

duty. My Honourable friend, Diwan Bahadur Ramaswami Mudaliar—I am sorry he is not in his seat—and my Honourable friend, Mr. Mody, regaled us with dismal stories about the soundness of the Tata's position in connection with the dividends that have been paid. Sir, I venture to submit that the Tata's are an essentially sound concern and they may be trusted to making the most of the opportunities which a grateful country has extended and is extending to them. My Honourable friend, Diwan Bahadur Ramaswami Mudaliar, talked of no dividends being paid on the ordinary shares and with great exultation and flourish of the hand he repeated "nil, nil," for every year. Sir, a table has been given on page 160 of Dey's *Tariff Problems in India* and I have calculated that the interest which the Tata's have paid during the seven years—from 1915 to 1922—amount to 1,200 per cent. and, if this 1,200 per cent. interest is spread over a period of 20 years from 1915 to 1935, it would work out at 60 per cent. interest per annum on deferred shares. If this is not doing well, I do not know what it is.

Mr. B. Das : What about Dr. Dalal's widows ?

Mr. N. N. Anklesaria : They are perfectly safe. Sir, my Honourable friend, Mr. Das, has not taken up my challenge of showing a better alternative. Government Members have more than once stated that they are not enamoured of this excise duty but, as a *pis aller*, they have put in this form of taxation and they have promised to take it off at the earliest possible moment. Therefore, I say that in the absence of a better alternative and in the interests of our protective scheme, we should accept this scheme of excise taxation. In conclusion, I would say, Sir, eschew prejudice and eschew suspicion, for where prejudice and suspicion enter reason and common sense go out. If my Honourable friend, Mr. B. Das, wants any specific proof of the truth of this adage, I would point out its truth in his own connection. The other day my Honourable friend said that he was a confirmed protectionist, that he always stood for protection, but what does he say in his minute of dissent. He hopes that this measure of protection in India will be the last measure of protection in this country.

Mr. B. Das : It is because of *national humiliation*.

Mr. N. N. Anklesaria : You never said that in the minute of dissent.

Mr. B. Das : You had better read it again.

Mr. N. N. Anklesaria : As my Honourable friend, Sir Cowasji Jehangir, is looking at me, I will give an instance in his connection. The other day, the Honourable the Finance Member gave expression to very noble sentiments. He asserted more than once that he was a servant of the Government of India and of India and not of the British Government (Hear, hear), and this noble expression of opinion the whole House applauded but my Honourable friend, Sir Cowasji Jehangir, would not allow this opportunity of making a debating point to go away without quibbling on the constitutional position. If that is the spirit in which we judge this measure, then I say eschew that spirit. With these words I oppose the motion of my Honourable friend, Dr. Ziauddin.

The Honourable Sir James Grigg (Finance Member) : Sir, during the course of this morning's debate, a slight storm blew up about what happened in the Select Committee, as to whether there was a bargain or an honourable understanding or something else. You, Sir, have ruled

that the House was not entitled to take cognizance of what happened in the Select Committee, and that being so, the Government are content in that respect to leave matters where they were left by the statement of Sir Abdur Rahim. I come now to the real subject under discussion which is, whether we shall or shall not impose an excise duty of Rs. four per ton upon the domestic production of steel ingots. During this debate, a certain number of general principles have been formulated, some of them rather startling. Take first Mr. Ramakrishna Reddi, his principle is that an excise duty is only justified in cases where there is domestic over-production. On this I would only say this that this is an entirely novel principle and I do not agree with it. The primary purpose of an excise is to produce revenue and not to remedy economic defects. Then, my Honourable friend, Mr. Jagan Nath Aggarwal, gave voice to the theory that there should never be an excise on protected articles. Again I do not agree. The Fiscal Commission quite definitely contemplated that there should be excise on protected articles and I referred in my previous speech to an extract from paragraph 95 of the report of the Indian Fiscal Commission. It says :

“ It is possible indeed that the necessities of revenue may force the Government to put a higher import duty on certain protected goods that is required for purposes of protection. We deal with such a contingency in a later chapter, when we recommend that any such excess revenue should be raised by means of an excise duty *plus* an additional import duty. The additional duties would be purely for revenue purposes and would be dealt with on strictly revenue principles.”

So that, the standard authority on fiscal matters in India, the Indian Fiscal Commission, entirely denies the principle formulated by Mr. Jagan Nath Aggarwal. Then my Honourable friend, Dr. Ziauddin Ahmad, also formulated certain principles which are of a general nature. He said, so far as I understood him, that we should not mix up revenue and protection and this seems to me to be rather, if I may say so, an inaccurate echo of my remarks on the last occasion when this was debated in this House that we should not mix up revenue duties and protective duties. That is a very well understood principle, but to say that we should not mix up in the same Bill revenue and protection, this does not by any means follow from that. Obviously protection and revenue are inextricably bound up and you have only to look up at the terrible fall in the customs revenue of this country, as a consequence of the protective policy in some industries, to see how revenue and protection are bound up. I imagine, however, that what Dr. Ziauddin Ahmad really meant was, and in this he was joined by my Honourable friend, Raja Bahadur Krishnamachariar, that you must wait and see how much revenue you are going to lose and then introduce, not now but next February, the appropriate remedial measures. In other words—I apologise for repeating this metaphor—you must leave the stable door unlocked and in six months after the horse has been stolen you think of locking it. Apart from that, I contend that both these Honourable Members displayed a certain amount of inconsistency. After giving expression to the opinion that it is an absolute outrage that you should mention excise or that you should impose excise duty in a Bill whose purpose is protection, or whose main purpose is protection, I find in amendment No. 14 that my Honourable friend, Dr. Ziauddin Ahmad, has given notice to move :

“ That after clause 4 of the Bill the following new clause be inserted and the subsequent clauses be re-numbered accordingly :

“ 5. If revenue duty is imposed on any article mentioned in the Schedule, the equal amount of excise duty shall be imposed on similar articles.”

[Sir James Grigg.]

I can only say after this, that consistency is not one of his best virtues. How does that square with his theory that there should be nothing about excise in this Bill ?

Then, my Honourable friend, Raja Bahadur Krishnamachariar, at one point contradicted or queried the optimistic forecast of my predecessor that in budgetary matters we have turned the corner. In that case, if that is his view, how can he possibly argue, " wait and see if we have turned the corner " ? Whether we have turned the economic corner or not, I do not know, but, I think, I can see some signs of our being in the course of doing so, but I am bound to say that I do not see any signs of our having turned the budgetary corner yet, and, it is on that that I rest my case for the imposition of an excise duty now. We are going under the protective part of the Bill to lose something which is variously estimated, but which we at present estimate at 30 lakhs, it may be a little more or it may be a little less. I do not know, nobody knows, whether the existing taxation is sufficient to cover that loss. I dealt with all this in my previous speech and I said that the yield of the match excise duty and the sugar excise duty has practically not begun yet. Both these are uncertain elements in the Budget and as the House knows perfectly well there are other doubtful items in it. I do not think any responsible Finance Member can recommend the House to take the risk of throwing away 30 lakhs revenue and not make it up immediately. That is my case, viz., that we do not in the least know where we are, but I think, it is extremely unlikely that the Budget will stand a loss of 30 lakhs and, therefore, we must make it up, not in six months time, but now. So much for the necessity for making up the revenue. The next question is, is there any other way of doing it than the one we propose in this Bill ? The Raja Bahadur rather hinted, if I have not misunderstood him, that at least the debates of the Select Committee proved that there was an alternative way of raising this revenue. I went into it.....

Raja Bahadur G. Krishnamachariar : If my Honourable friend would allow me, what I said was that there was a proposal in the Select Committee to find out if there was any alternative way of recouping this loss. We do not know exactly what happened in the Select Committee whether that attempt was made and if so with what result.

The Honourable Sir James Grigg : I will come to that. As a matter of fact I went into all that in my previous speech, and I came to the conclusion and tried to prove that there was no alternative way of raising these 30 lakhs and nothing that happened in the Select Committee changed my views. I think it will not be an unfair statement of the deliberations of the Select Committee that the only way of replacing these 30 lakhs of revenue was in fact to put back a large part, practically the whole, of the Rs. 43 a ton which is being taken off the duties both on continental and on British galvanised sheets. I do not think anybody, who has been a member of the Select Committee, will challenge that. I made it clear previously and I make it clear now that Government cannot be a party to any such scheme as that. As the House knows very well, it is often extremely difficult to know what in the positive way can be done to help the agriculturist. We have now got something which will undoubtedly help the agriculturist, particularly in Bengal ; and I personally and Government as a whole are certainly not prepared to forego this opportunity of helping the agriculturist when it comes to our hands.

Now, Sir, as the House will remember, the Fiscal Commission definitely recommended excise duties and I think it is not unfair to say that universal economic theory proves that the least burdensome way, as far as the consumer is concerned, of raising revenue, is not to give a gratuitous increase of protection to the producer but to impose a low excise and an exactly equal customs duty on the commodity under consideration. And here perhaps I can again read paragraph 120 of the Tariff Board's report :

“ The general question of replacing by some other source of taxation the Customs revenue lost to Government by reason of the policy of protection is one which the country must be prepared to face sooner or later. An obvious way of meeting the situation is to levy an excise duty, provided the protective duty is increased at the same time by a corresponding amount so as not to impair the measure of protection granted to the industry. The same principle may be applied to individual articles manufactured by a protected industry on which no protective duty is required by levying the duty on both imports and local production at a uniform rate so calculated that on the total consumption the aggregate amount of revenue desired by Government may be realised. Such a course has the advantage, besides safeguarding the Indian industry and supplying the deficiency in revenue of preventing so high a rise in prices as will follow if the whole duty is levied in the form of an import duty.”

In this way, by a comparatively low excise and an equal import duty, the needs of the Treasury are met most economically ; for, after the protective needs of the producer has been fully met, this theory ensures that the revenue needs should be met by a method which gives the Exchequer all the money that is taken from the consumer, and it does not adopt the plan of taking from the consumer many times the amount that the Exchequer needs and gets, the remainder, by far the greater part, of the money taken from the consumer, being an entirely gratuitous donation to the producer who *ex-hypothesi* does not need it. This, I conceive, was the intention of Mr. Anklesaria's argument, and, if so, I may say that I entirely agree with it.

We had the spectacle this morning of a good many people opposite getting up and simultaneously posing as friends of the consumer and opposing the excise duty. Sir, I am not sure whether they spoke with their tongues in their cheeks. I claim that I am the true friend of the consumer and I, therefore, invite all the other true friends of the consumer to follow me into the lobby.

There are two small points which I might deal with before I sit down. My Honourable friend, Mr. Thampan, raised again the question of the States. Sir, I do not think I can do better than read the paragraph of the Select Committee's report :

“ We considered the possibility that the inauguration of steel manufacture in Indian States might bring into existence circumstances prejudicial to the interests of manufacturers in British India. We have received an assurance that any development of this kind will be carefully watched by Government and that steps will be taken, if the necessity arises, to safeguard the interests of manufacturers in British India.”

Mr. Thampan rather sneered at assurances of Government, but I do not think that in the present circumstances it is possible to formulate a safeguard against an evil which has not yet emerged, and, at any rate, I think the producers in this instance are quite satisfied that Government mean what they say and that they will watch the position and will do their utmost to deal with the danger, if and when it arises.

[Sir James Grigg.]

The other question was that raised by Mr. Mody with regard to the removal of the excise. The Commerce Member and myself have both made our position in this matter absolutely clear, and if we went on paraphrasing and reiterating our views on that matter for a month, I do not think we could make our position any clearer. Neither of us contemplate that this particular excise should form a permanent part of the fiscal system of this country. As to the time and the circumstances in which it can be removed nobody can prophesy, but our desire and intention is that it should not be kept on a moment longer than it is necessary.

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

“ That clause 4 of the Bill be omitted and the subsequent clauses be renumbered accordingly and consequential amendments be made in the Bill as well as in the Schedule.”

The Assembly divided :

AYES—28.

Abdul Mutin Chaudhury, Mr.
Aggarwal, Mr. Jagan Nath.
Ba Maung, U
Bhuput Sing, Mr.
Das, Mr. B.
Dutt, Mr. Amar Nath.
Gunjal, Mr. N. R.
Hari Raj Swarup, Lala.
Ismail Ali Khan, Kunwar Hajee.
Jog, Mr. S. G.
Krishnamachariar, Raja Bahadur G.
Lahiri Chaudhury, Mr. D. K.
Mahapatra, Mr. Sitakanta.
Mitra, Mr. S. C.

Murtuza Sahab Bahadur, Maulvi Sayyid.
Neogy, Mr. K. C.
Pandian, Mr. B. Rajaram.
Pandya, Mr. Vidya Sagar.
Patil, Rao Bahadur B. L.
Reddi, Mr. T. N. Ramakrishna.
Roy, Rai Bahadur Sukhraj.
Sant Singh, Sardar.
Sen, Mr. S. C.
Shafee Daoodi, Maulvi Muhammad.
Singh, Mr. Gaya Prasad.
Thampan, Mr. K. P.
Wilayatullah, Khan Bahadur H. M.
Zinuddin Ahmad, Dr.

NOES—55.

Abdul Aziz, Khan Bahadur Mian.
Ahmad Nawaz Khan, Major Nawab.
Ali, Mr. Hamid A.
Allah Baksh Khan Tiwana, Khan Bahadur Malik.
Anklesaria, Mr. N. N.
Bajpai, Mr. G. S.
Bhadrapur, Rao Bahadur Krishna Raddi B.
Bhore, The Honourable Sir Joseph.
Brij Kishore, Rai Bahadur Lala.
Buss, Mr. L. C.
Chatarji, Mr. J. M.
Chinoy, Mr. Rahimtoola M.
Craik, The Honourable Sir Henry.
Dalal, Dr. R. D.
Duguid, Mr. A.
Ghuznavi, Mr. A. H.
Grantham, Mr. S. G.
Grigg, The Honourable Sir James.
Heckenhull, Mr. F. W.
Hudson, Sir Leslie.
James, Mr. F. E.

Jawahar Singh, Sardar Bahadur Sardar Sir.
Kamaluddin Ahmad, Shams-ul-Ulema Mr.
Lal Chand, Hony. Captain Rao Bahadur Chaudhri.
Lindsay, Sir Darcy.
Lumby, Lieut.-Colonel A. F. B.
Metcalf, Mr. H. A. F.
Morgan, Mr. G.
Muazzam Sahib Bahadur, Mr. Muhammad.
Mujumdar, Sardar G. N.
Mukherjee, Rai Bahadur Sir Satya Charan.
Nihal Singh, Sardar.
Noyce, The Honourable Sir Frank.
Perry, Mr. E. W.
Rafiquddin Ahmad, Khan Bahadur Maulvi.
Raghobir Singh, Rai Bahadur Kunwar.
Raisman, Mr. A. J.

Kajah, Rao Bahadur M. C.
 Ramakrishna, Mr. V.
 Ranga Iyer, Mr. C. S.
 Rastogi, Rai Sahib Badri Lal.
 Rau, Mr. P. R.
 Richards, Mr. W. J. C.
 Row, Mr. K. Sanjiva.
 Scott, Mr. J. Ramsay.
 Scott, Mr. W. L.
 Sher Muhammad Khan Gakhar,
 Captain.

Singh, Mr. Pradyumna Prahad.
 Sircar, The Honourable Sir Nripendra.
 Spence, Mr. G. H.
 Studd, Mr. E.
 Trivedi, Mr. C. M.
 Yamin Khan, Mr. Muhammad.
 Zakanullah Khan, Khan Bahadur Abu
 Abdullah Muhammad.
 Zyn-ud-din, Khan Bahadur Mir.

The motion was negatived.

Mr. President (The Honourable Sir Shanmukham Chetty) : For the convenience of Honourable Members, the Chair would explain the procedure that it proposes to follow regarding the amendments. After finishing clause 4, the Chair proposes to go on to the subsequent clauses in order,—clauses 5, 6, 7, 8, 9, etc.—and then to the Schedule ; and then the House will come back to clause 3 and then clause 2 and then clause 1 and then the Title and the Preamble. That will be the order in which the amendments will be taken.

Mr. Sitakanta Mahapatra : Sir, I beg to move :

“ That in clause 4 of the Bill, for the words ‘ four rupees ’ the words ‘ three rupees ’ be substituted and clause 7 be amended accordingly.”

So much has already been said against the imposition of an excise duty that it is needless for me to say anything more. I shall only, as briefly as I can, try to convince you that there is a fair scope for a substantial reduction in the incidence of excise duty, unless the Honourable the Finance Member wants to tax unnecessarily and make money out of it on a plea. But the Honourable the Finance Member and the Honourable the Commerce Member have repeatedly asserted on the floor of this House that they want nothing of the kind and they are prepared to be reasonable in this case. The Government estimate that the loss to their revenue on account of lowering of duties now proposed will be in the neighbourhood of Rs. 30 lakhs. This sum they propose to make up by levying an excise duty on the production of steel ingots in the Tafas which was roughly 740,000 tons in 1933. But, as I have already indicated in my minute of dissent, this estimated loss of Rs. 30 lakhs of revenue is an over-estimate. I shall prove it presently. My first point is that while calculating loss of revenue, the Treasury Benches always over-estimate the loss, and, while calculating the income, they invariably underestimate it. When we suggest that postcards may be reduced from nine pies to six pies, they say : “ Oh, the loss will be tremendous—so many crores and so many lakhs ”. But when we contend there will be a larger saving, they say it is a question of a few thousands of rupees. The Honourable the Commerce Member has in a way admitted that this may be an over-estimate. In his speech on the 31st July, he said :

“ Estimates of losses must be uncertain, but even if we regard this as an over-estimate, it is absolutely certain that we shall have to face a serious diminution in our customs revenue.”

But the Finance Member, who is perhaps responsible for these calculations, is nothing if not very frank in his statements, since he is not yet

[Mr. Sitakanta Mahapatra.]

a "spoilt child" of the Government as newspapers say about him. In his speech on the 1st of August, the Finance Member said :

"On the later figures now available, we estimate the actual loss to be expected is from 25 to 30 lakhs."

In view of the fact that the Finance Member himself calculates that the loss of revenue may vary between 25 and 30 lakhs, it may safely be taken as 25 lakhs, but to be modest and cautious, let us put it at an average figure of 27½ lakhs. But this calculation was made by the Finance Member before the Report of the Select Committee. In the Select Committee the revenue duties on structurals and steel ingots and steel plates of British manufacture have been restored. There is an income of about two lakhs, but let us put it at 1½ lakhs, to be very cautious, according to the modest calculation of the Finance Member himself. On the 1st of August, he said :

"There remains the possibility of a revenue duty on tested structurals and plates. According to our calculations, the yield of ten per cent. duty on the basis of imports of 1932-33 would be about 1½ lakhs, and on the figures of next year would have amounted to a sum very slightly in excess of that figure, certainly it will come under two lakhs."

But when he was interrupted by Mr. Mody, he admitted that this might go up to three lakhs if there is a switch-over from continental to British. Let me read the passage referred to.

"Mr. H. P. Mody : May I ask a question ? What would happen in the case of a switch-over from continental to British ? Would not the revenue loss be greater ?

"The Honourable Sir James Grigg : If I go into that, it might put me off from the thread of my argument, but supposing it doubled and in the result you get three lakhs.....3 lakhs is a very inadequate contribution towards 30 lakhs."

This is what he said. But let me put it at 2½ lakhs instead of three lakhs. So our loss comes to 25 lakhs. Then, the countervailing duty leviable upon tin plates and tin sheets have been increased to the extent of about 12 annas per ton. Here, there is a very considerable revenue. Further, import duties on highly priced alloy steel bars have been considerably increased. Some revenue increase must be allotted to this side. Over and over all these, in paragraph 6 of the Select Committee's Report, there is a clear provision that in case of unfair cutting of prices on imported articles, additional duties will be imposed by the Government of India. In the present world conditions today such reduction in prices is a foregone conclusion. From all these factors it may safely be assumed according to a most modest calculation that there will never be a loss of more than 22 to 23 lakhs of revenue as a result only of reduction in the level of import duties, and so we are required to raise this sum only by imposing excise duty, if at all.

Then, the rate of production of steel ingots in Tatas was 740,000 tons in 1933, but Tatas have been found to be increasing their production by leaps and bounds. Let me quote a sentence from Sir Leslie Hudson's speech on the 1st of August. This is what he said :

"Their output in 1923, was 163,000 tons, in 1924, 380,000 tons, and in 1933, it was 500,000 tons."

It is quite possible that in 1934 and further on till 1941, their rate of production will go on increasing steadily, if not at this rate. Further, Sir, in paragraph 5 of the Select Committee's Report, it is stated that there is

every possibility of the inauguration of steel manufacture in Indian States. Very recently it appeared in the newspapers,—and that was referred to this morning in this House,—that the Mysore Government have already sanctioned such a scheme at Bhadravati at an initial cost of 21 lakhs. Over and above all these, there are some smaller firms in British India, both European and Indian, that are even now producing steel to a certain extent, and there are a number of firms, which are perhaps within the knowledge of Government, that are coming into being in the near future, not to speak of those that may come into being during all the next seven years with the object of manufacturing steel. From all these factors, it would only be very reasonable on the part of Government to agree to a reduction of the incidence of excise from rupees four to rupees three per ton, although I personally believe that there is sufficient scope for reducing the incidence by half. The Finance Member in his speech on the 1st August said this :

“ I personally should have been very glad to be able to dispense with it,—I hope the House will agree that I have proved that we could not dispense with it, if the balance of the budget was not to be prejudiced and like my Honourable friend, the Commerce Member, I cannot see this excise duty on steel ingots becoming a permanent feature of the Indian fiscal system.”

Sir, when we have agreed to the manner and method of imposing the excise duty, and when we have accepted the imposition of the excise duty, I believe the Finance Member in his national sportsman's spirit will come to our rescue and agree to a partial reduction of the incidence so that his loss may be fully recouped without any extra taxation. In his speech later, on the 31st July last, the Honourable the Commerce Member said : “ Its removal or reduction, however, must largely depend upon our general financial position ”. I am sure, he, in his heart of hearts, believes that the loss of revenue may not be to the extent of 30 lakhs. He is sure, I think, that it may not be only 740,000 tons, but considerably more of steel ingots that will require excise. He will, I hope, prevail upon his colleague to agree to my modest and very reasonable proposal.

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

“ That in clause 4 of the Bill, for the words ‘ four rupees ’ the words ‘ three rupees ’ be substituted and clause 7 be amended accordingly.”

Mr. N. B. Gunjal (Bombay Central Division : Non-Muhammadian Rural) : (The Honourable Member, speaking in the vernacular, supported the amendment.)

The Honourable Sir James Grigg : Sir, I am afraid I must confess that I only very imperfectly apprehended the argument put forward by the last speaker (Laughter), and if, therefore, I do not deal with his remarks at the length which they deserved, I have no doubt he will forgive me. Mr. Sitakanta Mahapatra gave us the second of our recent arithmetical lectures. As far as I can make him out, the process which he went through is rather like that of the man who sought to prove that the ordinary lawyer's fee in the United Kingdom was not 6s. 8d. but 3d. six and eight equals 14d., which is 1s. 2d., which again became one and two pence which equals 3d.! He seems to me to arrive at some such result. He first of all started off to prove that the recommendations of the Select Committee had, in fact, greatly diminished the loss which the revenue suffered by the adoption of the recommendations of the Tariff Board. When I talked on the 1st August about the

[Sir James Grigg.]

extra revenue which is to be expected from the restoration of the revenue duty on structurals and plates, that was a gross figure. Of course, it was not the amount of extra revenue that we shall actually realise, because the duty to countervail the excise was there anyhow. So, the extra revenue, in my view, and on a liberal calculation, to be apprehended from the alterations made in the Bill by the Select Committee, may be about a lakh. Now, one-fourth of the 30 lakhs, which is what he proposes to knock off, is about Rs. 7½ lakhs. Towards that Rs. 7½ lakhs, instead of producing the whole amount as he tried to do, he has, in fact, produced only one lakh and still we are Rs. 6½ lakhs short. Yesterday the House passed a Bill on the subject of double income-tax relief which was required in order to stop a potential loss of Rs. eight lakhs of revenue. The Government having taken the responsibility of bringing in a measure to stop a loss of Rs. eight lakhs, quite clearly we should be failing in our duty if we agreed to an amendment which would mean a loss of revenue of Rs. 6½ lakhs. There is not so much difference between Rs. eight lakhs and Rs. 6½ lakhs that one could afford to take a different view. Therefore, Government must oppose the amendment.

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

“ That in clause 4 of the Bill, for the words ‘ four rupees ’ the words ‘ three rupees ’ be substituted and clause 7 be amended accordingly.”

The motion was negatived.

Mr. Sitakanta Mahapatra : I beg to move :

“ That in clause 4 of the Bill, for the words ‘ four rupees ’ the words ‘ three rupees eight annas ’ be substituted and clause 7 be amended accordingly.”

Mr. President (The Honourable Sir Shanmukham Chetty) : The Honourable Member cannot make a speech. He can move it if he wants.

Mr. Sitakanta Mahapatra : I want to move it. I only want to say this that if the Honourable the Finance Member is unwilling to sustain a loss of Rs. 6½ lakhs he can agree to this small loss.

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

“ That in clause 4 of the Bill, for the words ‘ four rupees ’ the words ‘ three rupees eight annas ’ be substituted and clause 7 be amended accordingly.”

The Honourable Sir James Grigg : I am afraid, Sir, that my heart, though not so hard, is at any rate half as hard towards this proposal. This amendment, if carried, would mean a loss of somewhere between Rs. three and four lakhs, and even that is a loss which the Government are not prepared to face.

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

“ That in clause 4 of the Bill, for the words ‘ four rupees ’ the words ‘ three rupees eight annas ’ be substituted and clause 7 be amended accordingly.”

The motion was negatived.

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

“ That clause 4 stand part of the Bill.”

The motion was adopted.

Clause 4 was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty) : No. 14, Dr. Ziauddin Ahmad's amendment,* the Chair is inclined to think, is out of order, because, in anticipation, he wants to provide that there should be an extra excise duty in case there is a revenue duty on any of the articles mentioned in the Schedule, the effect of which would clearly be an imposition of a heavier burden for which the previous sanction of the Governor General would be required. Has the Honourable Member to say anything on that ?

Dr. Ziauddin Ahmad : The intention of my amendment is that the revenue duty, if it is ever put, should not be used for protective purposes. It should be treated purely as a revenue duty. That is my intention. I would develop the point later on.

Mr. President (The Honourable Sir Shanmukham Chetty) : When they increase the revenue duty, it will come before the House and the Honourable Member can express his opinion at that time.

The question is :

“ That clause 5 stand part of the Bill.”

Raja Bahadur G. Krishnamachariar : Nos. 15, 16 and 17 are only consequential upon my original amendment relating to clause 4, and as it has been voted against, all these amendments go.

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

“ That clause 5 stand part of the Bill.”

The motion was adopted.

Clause 5 was added to the Bill.

Clauses 6, 7 and 8 were added to the Bill.

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

“ That clause 9 stand part of the Bill.”

Dr. Ziauddin Ahmad : May I suggest that amendment No. 18 be taken after we have disposed of amendment No. 3 by Mr. Vidya Sagar Pandya. This will be a consequential amendment to that.

“ That after clause 4 of the Bill, the following new clause be inserted and the subsequent clauses be re-numbered accordingly :

‘ 5. If revenue duty is imposed on any article mentioned in the Schedule, the equal amount of excise duty shall be imposed on similar articles ’.”

Mr. President (The Honourable Sir Shanmukham Chetty) : That means that we will have to postpone clause 9. Clause 9 is held over.

The question is :

“ That clause 10 stand part of the Bill.”

The motion was adopted.

Clause 10 was added to the Bill.

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

“ That the Schedule stand part of the Bill.”

There is a new scheme by Dr. Ziauddin. What the Chair would like to know is whether the result of this new scheme will result in an increase of taxation.

The Honourable Sir Joseph Bhore : On the whole I am not prepared to say that it will result in an increase.

Mr. President (The Honourable Sir Shanmukham Chetty) : What was the intention of Dr. Ziauddin Ahmad ?

Dr. Ziauddin Ahmad : I have provided for the figures of Rs. 15 per ton and Rs. 10 per ton. In one case I have raised it, and in the other case I have lowered it, and in no case is the duty increased. I will give a sketch of my scheme.

Mr. President (The Honourable Sir Shanmukham Chetty) : The Honourable Member's intention was to increase it.

The Honourable Sir Joseph Bhore : There may be an increase on certain items, but not in the total.

Mr. President (The Honourable Sir Shanmukham Chetty) : The Chair will give the benefit of the doubt to the Doctor.

Dr. Ziauddin Ahmad : Sir, I beg to move :

“ That for the Schedule to the Bill the following be substituted :

‘ THE SCHEDULE.

(See section 3.)

Amendments to the Second Schedule to the Indian Tariff Act, 1894.

1. For Items Nos. 143 to 154 the following Items shall be substituted and the subsequent Items shall be re-numbered accordingly, namely—

‘ 143. Iron and steel.

(a) not fabricated—

(i) of British manufacture .. 1-1/3 times the excise duty leviable for the time being on steel ingots produced in British India.

(ii) not of British manufacture .. 1-1/3 times the excise duty leviable for the time being on steel ingots produced in British India plus Rs. 20 per cent. ad valorem.

(b) Iron and steel—
fabricated—

- (i) of British manufacture .. 1-1/3 times the excise duty leviable for the time being on steel ingots plus Rs. 10 per ton.
- (ii) not of British manufacture .. 1-1/3 times the excise duty leviable for the time being on steel ingots plus Rs. 30 per ton.'

2. In Item No. 235—

- (a) in the second column the words 'Iron pig' shall be omitted ;
- (b) in the fourth column for the figures '20' the figures '10' shall be substituted ; and
- (c) in the fifth column for the figures and words '10 per cent.' the word 'nil' shall be substituted.

3. In Item No. 236—

- (a) in the fourth column for the figures '20' the figures '10' shall be substituted ; and
- (b) in the fifth column for the figures and words '10 per cent.' the word 'nil' shall be substituted.

4. In Item No. 237—

- (a) in the fourth column for the figures '20' the figures '10' shall be substituted ; and
- (b) in the fifth column for the figures and words '10 per cent.' the word 'nil' shall be substituted '."

I should like first to mention the principles on which the suggested Schedule is based. I may mention that I have suggested this, not in the interest of the British manufacturers, but I have made this suggestion in the interest of the Indian consumers alone. I will mention the principles and if that is agreed to then the conclusion will follow. My first principle is that the burden on the consumers should be lightened as much as possible. I do not think there will be any person who will be opposed to this principle. The second principle is that minor industries should be benefited and that in two ways. The price of raw materials should be cheapened and the price of fabricated articles slightly raised, so that minor subsidiary industries may profit.

Mr. President (The Honourable Sir Shanmukham Chetty) : The Honourable Member wants to do away with all the classifications.

Dr. Ziauddin Ahmad : I am just going into the principles on which my amendment is based. My third principle is that the Tatas should have a profit of 104 lakhs every year which I do not like to touch which is given to them by the Tariff Board. This I called it the visible profit. I am also giving them a good margin of invisible additional profit in this amendment, though not to the same extent as is contained in the Bill. My last principle is that the operation of the Act should be simplified as much as possible. It has got so much of classifications and sub-classifications *a, b* and *c*, and so on. I want to simplify the Indian, Tariff Act which may be easy and understood and easy to work. If this principle is adopted, there will be a great retrenchment and saving in the number of customs officers. I trust nobody would disagree with the principles which I have suggested. I said at the very outset that my proposals are not based in sympathy of the British manufacturers but of Indian consumers. Now, as regards unfabricated steel, I have

[Dr. Ziauddin Ahmad.]

a table before me on page 54. It is Table XXIII. The fair selling price with ten per cent. profit on work costs are taken from the figures I gave yesterday :

	Landed price with- out duty Rs. per ton.	Fair selling price on which one crore profit is included. Rs. per ton.	Fair selling price on which profit of 10 per cent. on manu- facturing cost is in- cluded.
Rails	113	95	78
Fish plates	151	133	114
Structurals British	113	100	86
Bars	96	94	80
Plates	114	99	84
Semis.. ..	64	53	52
Black sheets	119	122	106
Galvanised sheets	160	159	144
Sleepers	86	78	71

These figures show that Tata needs no protection against British goods. Any duty we impose on British goods would in fact be additional protection not contemplated by the Tariff Board.

So when I propose to abolish all duties on British goods, I am not doing it in the interests of the British manufacturers ; I am doing it in the interest of consumers and in the interest of the minor industries according to the principles which I have just enunciated and which the House has admitted. (*An Honourable Member* : " Admitted ? ") Sorry ; not questioned. If we agree to these principles and these are the principles which are admitted by everybody, then I see no justification why any duty at all should be placed on British goods in the shape of additional protection—more than what the Tariff Board have given to the Tata Company. That is really one of the very important principles on which I have made my new Schedule and, therefore, I have suggested in the first part that on British goods only it should be 1 1/3 times the excise duty, leviable for the time being, on steel ingots produced in British India and no additional duty because none is needed. Now, coming to the non-British goods, I find that the protection is needed there, because, in the same Table, I notice that in the case of non-British goods some kind of protection is necessary. What is the quantum of protection ? I would prefer to put specific duties but I could not suggest the specific duty as I apprehended that it may be out of order. Therefore, I propose this duty of 20 per cent. *ad valorem*, but I may say

I would like very much specific duty of Rs. 15 per ton instead of an *ad valorem* duty. The duty should not be abnormal and we may give quotas to various centres. So my first part is that in consonance with the principles I have enunciated, no protection is necessary as against British goods. If you want to levy any revenue duty, then levy the revenue duty on British goods and a corresponding amount as the excise duty as well, but for protection purposes no duty as such in necessary as against British goods.

[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).]

Sir, as a result of the last ten years of protection, we have reached a stage where no protection is needed for Tatas' goods against British goods, and if the Government are levying any such duties, I think they are not doing justice to the consumers of this country because it is not to their interest ; here I have absolutely no consideration in mind, whatsoever, for the British manufacturer, but I consider, from a study of the figures I have quoted, that the Tata Company can stand on its own legs against the British manufacturer and I would not like to be led away by sentimental arguments. I would like to be told by facts and figures that if this duty is removed from the British article, then the Tatas would substantially suffer and I maintain from the figures I have quoted that the Tatas can hold its own against British goods. They do, however, need some kind of protection against the non-British goods ; that is to my mind Rs. 15 per ton is quite sufficient protection according to the figures I have got in my hand. Further protection may be given by assigning quota and not by increasing quantum of protection. Coming to the second part, that is, the fabricated articles, in the case of these, I would very much like to impose some duty in the interests of Indian steel rollers. I have suggested that Rs. ten per ton in addition to any excise duty would be sufficient for our minor industries and about Rs. 30 per ton in the case of the non-British manufacturer. Here, again, further protection may be given by quota system.

Coming to the second part of my amendment, there also I have suggested that duties of Rs. 20 and Rs. ten should be changed into duties of Rs. ten and *nil* ; that is, no duty on British goods and a ten per cent. duty on non-British goods, and then also, I say, I do it in the interest of the consumer. So this is really the principle on which I have made my suggestions, and excepting one point, that is, where I want to omit pig iron on which I believe there is another motion elsewhere and which I will take up later on and in which case I shall propose that the duty on pig iron should be removed altogether. Sir, I have quoted the principle on which I have made my suggestion and I think the time has come when on unfabricated steel we should have no duty on British goods but some specific duty on non-British goods, but in the case of fabricated articles, in the interests of our minor industries, it is desirable that we ought to levy some duty on British goods and also a higher amount of duty on the non-British goods, and I have suggested Rs. ten per ton on British and Rs. 30 per ton on non-British goods. These are really the essence of my amendment and I do not like to make detailed distinctions as are contemplated here in this Bill and are also put down in the Tariff Board Report in which every item

[Dr. Ziauddin Ahmad.]

is divided into about twenty smaller items which is really a very troublesome thing, both to the customs authorities and to the merchants; it is much better that we should give some kind of simple tariff as we used to have before the War; that is, uniform small duty for revenue purpose, and I think we should go back to the simplicity of tariff and I have suggested that this thing would be exceedingly simple if the Government accept it, though I know that on the spur of the moment they may find it exceedingly difficult and they may not be inclined to give any thought to it. Some persons are telling that it is unnecessary to make any speech in this House. The Government have certain majority in their pocket.

Sir, we are here to represent the interests of the consumers and we must have our say on their behalf in full. Before I sit down, I should like to answer one or two points which were raised by several speakers about myself, because although I tried to do it the last time I could not get an opportunity. First of all, I come to my Honourable friend, Sir Cowasji Jehangir. I may tell him one thing—that whenever I hear abuses and curses, I am exceedingly happy and my digestion improves. (Laughter.) Really speaking, whenever I have to speak, I do not take any lunch, but simply on account of abuses hurled at me, I went against my practice and had a good lunch. I have had thirty years of public life, and there was not a day without crisis. Sir, crisis has always been a feature of my routine work. The absence of crisis was to me a crisis. Coming to my Honourable friend, Mr. B. Das, I may tell him that the Tatas never make a mistake against themselves.

Mr. Deputy President (Mr. Abdul Matin Chaudhury) : The Honourable Member may reply to all these criticisms during the third reading.

Dr. Ziauddin Ahmad : Sir, on the third reading there may not be much time and so I wanted to reply to them now. Sir, Government have always got the last word in every motion. We would not have a chance to reply to what Government have said till next motion, which may be entirely different, comes up for discussion. The Honourable the President gave opportunity to reply the Government and other speakers at the next motion. Will you just give me a chance to explain my position? Will you give me an opportunity to reply?

Mr. Deputy President (Mr. Abdul Matin Chaudhury) : If the Honourable Member is brief.

Dr. Ziauddin Ahmad : I will take only two minutes. The Finance Member really misunderstood me when he sketched out
4 P. M. my amendment. My position was simply this that I consider all excise duties to be unhealthy but I am not opposed to the excise duty. In fact, in the case of the sugar industry, when this excise duty was proposed, I actually supported the Government, although that is the only industry in which I am financially interested. What I stand for is that the excise duty should be considered as a problem by itself and any kind of revenue duty which we may impose should not be used for protection purposes. That was the gist of my amendment. Put any kind of revenue duty but do not use it for protection purposes. Then the other thing to which I would like to refer was that my Honourable friend, Mr. Mody, said on the floor of the House that the Govern-

ment gave a threat that if excise duty is opposed, they will withdraw the Bill. This shows how slippery is the ground on which they are standing that they will be prepared to withdraw the Bill if the excise duty is removed. With these words, Sir, I move my amendment.

Mr. Deputy President (Mr. Abdul Matin Chaudhury) : Amendment moved :

“ That for the Schedule to the Bill the following be substituted :

THE SCHEDULE.

(See section 3.)

Amendments to the Second Schedule to the Indian Tariff Act, 1934.

1. For Items Nos. 143 to 154 the following Items shall be substituted and the subsequent Items shall be re-numbered accordingly, namely—

‘ 143. Iron and steel.

(a) not fabricated—

(i) of British manufacture . . . 1-1/3 times the excise duty leviable for the time being on steel ingots produced in British India.

(ii) not of British manufacture . . . 1-1/3 times the excise duty leviable for the time being on steel ingots produced in British India plus Rs. 20 per cent. *ad valorem*.

(b) Iron and steel—
fabricated—

(i) of British manufacture . . . 1-1/3 times the excise duty leviable for the time being on steel ingots plus Rs. 10 per ton.

(ii) not of British manufacture . . . 1-1/3 times the excise duty leviable for the time being on steel ingots plus Rs. 30 per ton.’

2. In Item No. 235—

(a) in the second column the words ‘ Iron pig ’ shall be omitted ;

(b) in the fourth column for the figures ‘ 20 ’ the figures ‘ 10 ’ shall be substituted ; and

(c) in the fifth column for the figures and words ‘ 10 per cent. ’ the word ‘ nil ’ shall be substituted.

3. In Item No. 236—

(a) in the fourth column for the figures ‘ 20 ’ the figures ‘ 10 ’ shall be substituted ; and

(b) in the fifth column for the figures and words ‘ 10 per cent. ’ the word ‘ nil ’ shall be substituted.

4. In Item No. 237—

(a) in the fourth column for the figures ‘ 20 ’ the figures ‘ 10 ’ shall be substituted ; and

(b) in the fifth column for the figures and words ‘ 10 per cent. ’ the word ‘ nil ’ shall be substituted.’

The Honourable Sir Joseph Shore : Sir, in the first place, I should like to congratulate my friend, Dr. Ziauddin Ahmad, for, if, as he says, his digestion improves with criticism, then his digestion must never be out of order. My Honourable friend has enunciated four principles and in regard to these four principles there can be

Dr. Ziauddin Ahmad : I have enunciated five principles.

The Honourable Sir Joseph Bhoré : I very much regret not having heard the fifth, but I have taken down four with very great care. So far as those four principles are concerned, I claim that all of them are in the measure which is now before the House. For instance, two of his principles were to the effect that Tatas should get their 104 lakhs, that they should get their "invisible" profits and that they should get their "latent" profits. Now, Sir, he himself suggested that our Bill embodied these principles, so that I have nothing further to say.

(Dr. Ziauddin Ahmad wanted to interrupt, but the Honourable Member did not give way.)

I will go on with the other two principles. My Honourable friend then enunciated a very wholesome principle. He said that minor industries should be benefited. Well, we have done our very best to see that they will be benefited and we have given certain assurances.

Dr. Ziauddin Ahmad : That is just the thing you have not done.

The Honourable Sir Joseph Bhoré : Finally, there is the question of the consumer, and, again, I am with my Honourable friend entirely there. Our contention is that we have done our best, as things are, to see that the consumer is in no way unnecessarily penalised and, in fact, the imposition of the excise duty was, as has been pointed out repeatedly from these Benches, conceived in the interests of the consumer. I claim, therefore, that our scheme of protection, as embodied in this measure, gives effect to all the four principles which my Honourable friend has enunciated. My Honourable friend has referred to another point, and on this theoretically I am in entire agreement with him. What he said, I think, was that in the interests of the consumer even revenue duty should not be imposed where protection was not necessary.

Dr. Ziauddin Ahmad : I am sorry to interrupt the Honourable Member, but what I said was that the revenue duty should not be used for protection purposes.

The Honourable Sir Joseph Bhoré : That, of course, is a truism, but I understood him to say that a revenue duty should not be imposed where protection was not required. Well, Sir, we endeavoured in one case to give effect to that principle but under pressure we had to vacate the position which we had taken up. I would suggest to my Honourable friend that the scheme of protection embodied in this Bill has been arrived at as the result of a very detailed and a very protracted inquiry by an authoritative Tariff Board. Now, I have no doubt that the alternative suggested by my Honourable friend has the merit of great simplicity. But I think he will admit—in fact, he has admitted it in the course of his speech—that it would be quite impossible for Government at a few minutes' notice to substitute a new scheme for the old scheme. I would, therefore, suggest to my Honourable friend that he should write another Tariff Board report. Let him take his time over it, and when he has given it to the House, to the country and to the Government, and when we come to consider this question in five or six years' time, we shall be in a position to accept or reject his new scheme in place of the old one. I am afraid, Sir, that I must oppose my Honourable friend's amendment.

Mr. Deputy President (Mr. Abdul Matin Chaudhury) : The question is :

“ That for the Schedule to the Bill the following be substituted :

‘ THE SCHEDULE.

(See section 3.)

Amendments to the Second Schedule to the Indian Tariff Act, 1894.

1. For Items Nos. 143 to 154 the following Items shall be substituted and the subsequent Items shall be re-numbered accordingly, namely :—

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(a) not fabricated—

(i) of British manufacture .. 1-1/3 times the excise duty leviable for the time being on steel ingots produced in British India.

(ii) not of British manufacture.. 1-1/3 times the excise duty leviable for the time being on steel ingots produced in British India plus Rs. 20 per cent. *ad valorem*.

(b) Iron and steel—

fabricated—

(i) of British manufacture .. 1-1/3 times the excise duty leviable for the time being on steel ingots plus Rs. 10 per ton.

(ii) not of British manufacture 1-1/3 times the excise duty leviable for the time being on steel ingots plus Rs. 30 per ton.’

2. In Item No. 235—

(a) in the second column the words ‘ Iron pig ’ shall be omitted ;

(b) in the fourth column for the figures ‘ 20 ’ the figures ‘ 10 ’ shall be substituted ; and

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3. In Item No. 236—

(a) in the fourth column for the figures ‘ 20 ’ the figures ‘ 10 ’ shall be substituted ; and

(b) in the fifth column for the figures and words ‘ 10 per cent.’ the word ‘ nil ’ shall be substituted.

4. In Item 237—

(a) in the fourth column for the figures ‘ 20 ’ the figures ‘ 10 ’ shall be substituted ; and

(b) in the fifth column for the figures and words ‘ 10 per cent.’ the word ‘ nil ’ shall be substituted.’

The motion was negatived.

Mr. Deputy President (Mr. Abdul Matin Chaudhury) : The next amendment (amendment No. 23) stands in the name of Mr. Thampan. The Chair would like to know from the Honourable the Commerce Member whether it proposes increased taxation, and whether it is necessary to have the permission of the Governor General in regard to the proposal contained in this amendment ?

The Honourable Sir Joseph Bhowe : Yes, undoubtedly.

Mr. K. P. Thampan : Sir, the permission of the Governor General is not necessary for this amendment for the reason that the duties that I propose under my proposal are not higher than the duties that are just at present levied except in one or two cases. There are several instances where the duty would be less than the present rate. I am certain the net effect of the proposal would not be increased in the present revenue. It is only in cases where the proposal is for a higher rate that the sanction of the Governor General in Council is necessary.

Mr. Deputy President (Mr. Abdul Matin Chaudhury) : The Commerce Member has said that the net effect of this amendment will be an increase in the proposed taxation and for this reason the sanction of the Governor General is necessary. The Governor General has withheld his sanction. The amendment is, therefore, out of order. The next amendment stands in the name of Dr. Ziauddin Ahmad.

Dr. Ziauddin Ahmad : Sir, I beg to move :

“ That in the Schedule to the Bill, in the proposed Amendment No. 1, in the third column of Item No. 142 (b), for the figures ‘ 40 ’ the figures ‘ 30 ’ be substituted.”

Sir, my intention was that the duty that we have imposed on non-British goods is too high. To my mind, this Rs. 40 that I have imposed is a kind of prohibitive duty and there is a good deal of talk among the merchants that if this duty on non-British goods is accepted, there will be no trade left with the non-British countries and we will be put in a very difficult position. I quite agree that we should impose a sufficient protection, but the protection should not be so heavy as to prohibit the import of non-British goods altogether. Now, if we really want to decide that non-British goods should not come into this country, then this is not the method of dealing with the problem. We cannot afford to practically give up our connections with all non-British countries in Europe. We must find a market for our production and we must have a favourable balance of trade in order to give 72 crores to the United Kingdom for all our commitments. These tariff duties leave us in a position that our trade with non-British countries will stop altogether, then we will be in a very unfortunate position. We will not be able to sell our goods in outside markets. I got a telegram this morning, in which it is said, that Germany is contemplating taking some action in this matter and, I think, instead of having a very heavy duty it would be better if we give some kind of quota to these countries so that they may not be able to import more than we require. The practical way of dealing with these protective duties would be this. We know our requirements is in the neighbourhood of 1,300,000 tons. That is the consumption of India in normal times. It has substantially diminished on account of depression and high prices. Then, out of this, the Tatas may produce about 600,000 tons. We have got a margin of about 700,000 tons which we have to import from outside. We can give a quota to all the countries without applying heavy tariff which is practically not needed. The other countries will themselves equalise the price. The fair selling price should be a price on which ten per cent. profit is given. My Honourable friend, the Commerce Member, said clearly on this point, that the Tariff Board figures are very well calculated. Unfortunately, he has placed us in a position when we cannot challenge his figures because he has not given the evidence or any material to us. He has placed us in the position of a man without legs and limbs.

We have to take the figures of the Tariff Board for granted, because we have no other data to go by. As regards the premises on which their calculations are based I challenge them. One of their premises is, that interest at six per cent. should be calculated on working capital. I submit this is too much, it ought to be four per cent. The second premise that I challenge is, that they have given Tatas a clear profit of 100 lakhs on the ground that shareholders should at least get eight per cent. profit. On a sum of 12½ crores it comes to 100 lakhs. This figure again I challenge. A clear profit of 100 lakhs is not what we can afford to pay. In these days a profit of five or six per cent. is good enough. A profit of eight per cent. is abnormal. We should begin the other way. We give them a profit of ten per cent. on working cost. Those Honourable Members who are engaged in industry will be able to tell us whether a profit of ten per cent. on working cost, in any undertaking, is not good enough. I gave some figures last time that their profit varies from 15 per cent. to 40 per cent. We are giving enormous profit to the Tatas. This is the premise of the Tariff Board which I challenge. The Tariff Board gives them eight per cent. on their capital of 12½ crores, and this is a thing which the consumers of India are asked to contribute. Though I do not challenge the figures, yet I challenge the premises on which these figures are based. Therefore, on that particular ground, they are not justified.

The next point I would like to point out is that the Tariff Board has given a fair selling price, but it has not given any machinery by means of which we can see whether Tatas will sell articles at the calculated fair selling price. Will it only remain on paper and will it ever be observed in practice? Neither the Tariff Board nor the Government have suggested anything in this Bill which will go to show that the Tatas will actually sell articles at a fair selling price. I submit that if this is not observed, the Tatas would sell their goods at the price at which the duty paid imported articles would be introduced into this country and, thereby, the Tatas will get an additional profit of 113 lakhs which I called invisible profits. My Honourable friend, the Commerce Member, may say anything in this House, but the country which is behind us will judge the Government by the results. This enormous sum of 113 lakhs we cannot afford to part with. The fact remains, that no machinery is suggested in the Tariff Board report or in this Bill by means which we can see that the Tatas will sell their articles at the scheduled fair selling price which has been calculated for them. Any merchant will verify what I say, namely, that the Tatas will sell at the price at which the foreign articles will be landed duty paid in Bombay. Any customs duty which we will impose on these articles will add to the price of these articles and will add to the actual selling price at which the Tatas would sell. These are facts which my Honourable friend cannot ignore entirely. He may befool us for sometime, because he has got votes in his pocket, but the country which is behind us will judge the action of the Legislature and will see that we are providing no machinery and we are deliberately putting additional burden of 113 lakhs on consumers. I have calculated this figure item by item and I have given in tabulated form in my first speech. I called this sum of 113 lakhs as "invisible profit" to Tatas. You cannot ignore these facts. I wish your invisible profit or the difference between the selling price and the price at which these articles will actually be sold be the minimum possible, because you must take it for granted that the Tatas will never sell these articles at a fair selling price. This fair selling

[Dr. Ziauddin Ahmad.]

price will only be on paper just like your centre of gravity which never exists except in the mind of the mathematician. I, therefore, submit, that the fair selling price does not exist in the market, it only exists in the Tariff Board report or buried in the Commerce Department. The Tatas will never sell at a fair selling price. They will sell at a price at which the imported articles after paying the customs duty will be landed in the country. I have emphasized this point time after time that the Bill does not provide us any machinery to enforce that the fair selling price should be *de facto* price. Any duty, which you will impose on these articles, will add to the protection and add to the fair selling price immediately, because, as soon as we put any duty on the imported article, the price of that article will go up and the Tatas will sell their goods at that price. I, therefore, submit, that the Government should put an end to this chance and they ought to see that the Tatas do not sell at a price higher than the fair selling price that has been fixed. If this machinery is not provided, and if the Government do not care to provide these things, then it will be very unfair to the consumers. Sir, in this particular case I will give you one illustration.

A legal practitioner when he reaches the highest stage in his profession, his clients on either side pay him fees in order that he may not be engaged by the other side. It is a kind of negative reduction fee. I have seen legal practitioners who are paid simply for the fact that they may not appear for the opposite side. This is the highest of the progress of a legal practitioner. Similarly, in the case of thieves and dacoits, the highest point they could reach is when they never do dacoities but they regulate dacoities and they see that dacoities are committed and their proper share comes in. Similarly, the Government are reduced to this position of the highest form of dacoits and they allow the Tatas to rob the consumers of the country provided the share of the Government in the shape of excise duty is paid to them. This is the tax which the Government are paid by the Tatas because as my Honourable friend, Mr. Mody, pointed out, and the Government have not challenged that, the Government said very clearly that they would not allow this Bill to go through unless the excise duty is paid up. That is really dacoity. The Government do not commit dacoity but they ask others to rob the consumers and they share the profit. That is the position to which we have been reduced. With these words I move my motion.

Mr. Deputy President (Mr. Abdul Matin Chaudhury) : Amendment moved :

“ That in the Schedule to the Bill, in the proposed Amendment No. 1, in the third column of Item No. 142 (b), for the figures ‘ 40 ’ the figures ‘ 30 ’ be substituted.”

The Honourable Sir Joseph Bhoré : Sir, as I think that this amendment is very analogous to a large number of amendments standing in the name of my Honourable friend in which he seems to have substituted one figure for another somewhat at random, it will, I think, be advisable for me once and for all to state the position of Government with respect to such substitutions, so that it may be unnecessary for me later on, when other similar motions are moved, to repeat what I have said on this occasion.

Now, Sir, my Honourable friend has substituted the figure “ 80 ” for the figure “ 40 ”. I contend that that is a substitution which has no

scientific basis whatsoever. It is simply a substitution of one figure for another. The figure "40" may be high,—I do not say that it is not,—but the figure "40" was arrived at by the Tariff Board after a complete examination of the case and after a complete scrutiny of the figures involved. It has a scientific basis and it is something which can be logically supported and understood. If we depart from the very definite scheme such as the Tariff Board has adopted, we shall never know where we are. It is for that reason that I consider that we are absolutely bound to adopt the figures in the Tariff Board report unless, as I have said on more than one occasion, it is shown that those figures are incorrect or have been reached by incorrect processes.

Now, the only point which my Honourable friend has really raised in connection with the calculations of the Tariff Board is the allowance for interest which the Tariff Board has made in calculating the fair selling price. It has allowed interest at the rate of six per cent. on working capital and it has allowed a profit of eight per cent. on the total capital at charge. Now, Sir, certainly opinions may differ in regard to the reasonableness of these figures, and I do not quarrel with my Honourable friend for holding the opinion that these figures are on the high side. But the Tariff Board has given the fullest possible reasons for proceeding upon that basis. Apart entirely from other reasons there is one which has possibly escaped my Honourable friend. One of the reasons definitely stated is that these figures allow for unforeseen contingencies. I understand that, in the course of the inquiry, Tatas' Representatives demanded a specific provision for unforeseen contingencies and the reply of the Tariff Board was, "No; we have given you a generous allowance. We have calculated your profit at what we consider is a generous figure and that should cover you against any unforeseen accidents that may occur which may reduce your profits". I think, Sir, that having regard to that explanation it cannot be said that the figures on which the Tariff Board proceeded are unreasonable; and if, we assume that they are not unreasonable, then we are driven to the inevitable conclusion that these figures which have been arrived at as a result of calculations based upon those assumptions must be accepted unless and until we can substitute them by others on an equally scientific basis. The more random substitution of one figure for another is, I submit, not a scientific procedure. For that reason, I must oppose this and other similar amendments which stand in the name of my Honourable friend.

Mr. Deputy President (Mr. Abdul Matin Chaudhury) : The question is :

"That in the Schedule to the Bill, in the proposed Amendment No. 1, in the third column of Item No. 142 (b), for the figures '40' the figures '30' be substituted."

The motion was negatived.

Dr. Ziauddin Ahmad : Sir, I beg to move :

"That in the Schedule to the Bill, in the proposed Amendment No. 2, in the third column of Item No. 143 (a) (i), the words and figures 'or 10 per cent. ad valorem, whichever is higher,' where they occur for the first time, be omitted."

This is one of the most important amendments which I should like to move and it is not of the nature of the previous amendments. My Honourable friend repeatedly said that he followed the Tariff Board literally. But he follows the Tariff Board whenever it suits him and he does not follow

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the Board when it does not suit him. In this particular case he has not followed the Tariff Board. Am I not correct in that ?

The Honourable Sir Joseph Bhore : Certainly in the original Bill we followed the Tariff Board.

Dr. Ziauddin Ahmad : In this particular Amendment the Tariff Board report has not been followed.

The Honourable Sir Joseph Bhore : My Honourable friend is completely wrong. Government followed the Tariff Board report in their original Bill, and this alteration which he now wants to remove was put in by the Select Committee.

Dr. Ziauddin Ahmad : Thank you very much. I thought the Select Committee is intended to reduce the rate. I never heard, except in one solitary example of hosiery, that the Select Committee have come forward to increase taxation and give additional protection and Government readily accepted them. After all, the Tariff Board report has made exact calculations and on the strength of those my Honourable friend drew up the Bill according to the recommendations of the Tariff Board. They calculated the exact amount of protection which ought to have been given and Government suggested the same amount in their original Bill. But for some reason or other, which we do not know and which has been hinted on the floor of the House, Government changed their mind and acceded to the request of Tata's and increased the amount of protection by an amount which is practically equivalent to rupees five per ton. That is practically the additional protection which they have given. Now I have to argue in the first place that the Select Committee was certainly wrong in increasing the protection which had been so carefully calculated by the Tariff Board and on which Government always stand. And, whenever we put forward any argument, the only reply we get is that it is the recommendation of the Tariff Board. Cannot we say, following that same argument, that they ought to follow the recommendation of the Tariff Board in this case also and ought not to have imposed this additional protection ? After all, we have seen many times that the Select Committee recommended certain alteration, but if Government thought that they were not correct, they came forward with amendments on the floor of the House to restore their original recommendations and upset the recommendations of the Committee. Did they not do it in the case of Sugar Bill and in Reserve Bank Bill and in many other cases ? No attempt like that has been yet made in this case and what is the conclusion that we are going to draw ? We may shut our mouths but the country is not a fool and the whole world is not a fool. They understand all the implications of this particular thing and, I think, Government have not done justice to the minor industries. They have not done justice to the consumers by imposing in the Select Committee this additional burden on the consumers, that is, increasing the amount of protection. It was hinted by somebody—but it was denied—that no compromise was made : I do not know ; I was not in the Select Committee and I do not want to refer to any action of the Select Committee, but there are the facts which remain and which nobody can challenge. The first is that the excise duty was vigorously opposed by the supporters of Tatas, but in the voting today we have seen that they are not now opposed to it : they are in favour of the excise duty. This change of mind is a fact which cannot be denied. The second thing that we see is that contrary to all principles the Government have agreed that the amount of

protection should be increased as put down in this revised Bill. The supporters of Tatas have changed their mind as regards the excise duty and the Government also have changed their mind and increased protection. It is not for me to draw any inference. But facts are there, call it compromise or no compromise between Tatas and the Government. We cannot understand it. As this has been recommended by the Select Committee. I thought some Member of the Government would come forward and move an amendment that this should be deleted : it ought not to have been left to the Opposition to delete this additional duty. This creates enormous doubts in the minds of the people of India because after all they watch the situation very closely : a large number of people are interested in the use of steel : they are consumers of steel and they would like that the price of steel should be as cheap as possible ; but when we come here and increase the burden by the excise duty and by this additional protection, it will not be intelligible to any person outside. Of course we may shut our eyes and we may not speak out anything here ; but the country will not remain silent : the country will judge the results and will watch the situation very carefully. They see it very clearly. I say that we are giving a clear profit of 250 lakhs or Rs. 2½ crores per annum to Tatas already. This is a thing on which I challenge any person to prove that I am not right—104 lakhs by visible taxation, and 118 lakhs by the difference between fair selling price and the price at which it will actually be sold and they are bound to sell it at the imported price ; and, then, again, there are latent profits here which we have not taken into consideration and which we have no means to judge. My friend has brought in unforeseen circumstances and it is demanded that special allowance should be made for this also. This reminds me that once the King of Oudh gave the revenues of five districts for the expenses of betel-nut—*pan dan ka kharach*—and this is really like that : for an emergency a big revenue duty is laid to provide for the unforeseen circumstances that might possibly arise. I say in reply, that we have already provided 78 lakhs a year in the name of depreciation fund—quite sufficient to meet emergencies ; and there is no further provision necessary to further increase protection. I am afraid, therefore, that the Government have lost their case altogether by increasing the duty in this particular case. They have been asking us that we should follow the Tariff Board Report blindly : they have themselves accepted that principle. We did not want to follow blindly, but they have placed us in that position by not placing in our hands the balance sheet of Tatas or the evidence laid before the Tariff Board, not even representations submitted to the Government, that we have no alternative but to follow the Tariff Board Report blindly, what is the reason or justification for the Government to increase the duty in this particular case ? We have accepted the principle that we should follow the Tariff Board Report blindly, though it is not the right thing to do—we cannot leave the destinies of the consumers of India in the hands of these two or three persons whose previous records are familiar to us ; I think their recommendations ought to have been critically judged and criticised by the Government of the country who represent not only the bigger industries, who represent not only one kind of interest, but who represent the interests of the people of India as a whole and who are the only guardians of the people of this country. When the Government brought forward the Safeguarding Bill, I said myself on that particular occasion about the Government :

“ I very much appreciate the Bill and I give my whole-hearted support to it and I hope that the Commerce Member will prove, as my friend, Mr. Mitra said, a

[Dr. Ziauddin Ahmad.]

benevolent despot and will look after the interests not only of the bigger industries of Bombay and Calcutta, but also the smaller industries which are not very vocal and not represented by influential Members of the Assembly."

But our experience compelled me to modify my opinion about the whole theory of protection and of Government. I make no secret of it. Sir Joseph Bhore himself said on the floor of the house, that he would agree to a thing if it was initiated by Mr. Mody, but he would not accept it if it was initiated by me : he said that in reply to a question on the floor of the House, and, therefore, it becomes exceedingly difficult if we do not take into consideration the real facts but only who has said it.....

Mr. H. P. Mody : I do not remember any such thing.

Dr. Ziauddin Ahmad : I will show it from the proceedings : there is an old proverb which has really come from Imam Ghazali to this effect : "look at what has been said and do not look on who has said it". That is, we must consider the substance of the arguments and not the person who has said it. That is really the principle on which we should act. But the Commerce Member's view is just the reverse. We are, therefore, placed in an exceedingly difficult position and it becomes very difficult to safeguard the consumers' interests. Their interests can only be safeguarded by the Government of the day ; they plead for mercy ; they plead that their interests should be borne in mind more prominently than the interests of the capitalists. That is the only request I make : But in any case of a protection Bill, offer protection, but have some mercy on the consumers of this country, on the poorer population of India, and not take into consideration only the interests of the capitalists. We have given eight per cent., on what I call the visible expenditure ; and, if you calculate the whole interest, we are giving some 20 per cent. to Tatas : this is an amount of protection which is certainly not justifiable. I do not agree with Mr. Anklesaria when he said that it was 1,200 per cent.—I think he was working in astronomical field that was rather too heavy ; but, still under this Bill, 18 to 20 per cent. is secured if the Bill is allowed to pass as it is. With these words, I move my amendment.

Mr. Deputy President (Mr. Abdul Matin Chaudhury) : Amendment moved :

"That in the Schedule to the Bill, in the proposed Amendment No. 2, in the third column of Item No. 143 (a) (i), the words and figures 'or 10 per cent. *ad valorem*, whichever is higher,' where they occur for the first time, be omitted."

Maulvi Muhammad Shafee Daoodi : Sir, when the Report of the Select Committee came to our hands, we found that in paragraph 3 sub-clause (2) of the Report, there was a duty of ten per cent. *ad valorem* imposed on item No. 143 (a) (i). It struck me at the time as to how this increased duty could be proposed by the Select Committee. I find from the discussions that have taken place so far, in this House, that the Tariff Board view on this point was that a duty of 1-1/3 times of the excise duty, leviable for the time being on steel ingots produced in British India, could be levied. That would come to about Rs. 5-5 and some pies. Now, by the change proposed by the Select Committee it comes to much higher than that amount. I do not think this calculation can be doubted, I mean the amount proposed by the Select Committee is higher than what was proposed by the Tariff Board. Now, Sir, no reason has been assigned in the Report of the Select Committee as to why this change was made, and one

would certainly expect that when a change is made by the Select Committee in the original Bill, that cogent reasons would be advanced for effecting such a change. I just now heard the Honourable Member in charge of the Bill say that this was of course a change made by the Select Committee. Up to this moment, I do not know what led to this change, and I hope that the rules which apply to Non-Official Members and which prohibit them from raising the duty originally proposed also applies to Government Members, and in this case they should not be allowed to raise the duty. With these words, Sir, I support the amendment of my friend, Dr. Ziauddin Ahmad.

Seth Haji Abdoola Haroon (Sind : Muhammadan Rural) : Sir, after listening to the interesting speech of my Honourable friend, Dr. Ziauddin Ahmad, I find that I cannot but agree entirely with the observations he has made. In the previous Bill we saw that the duty was 1-1/3 more than the excise duty, which means about Rs. 5-5-4, whereas, according to the present Bill, which the Select Committee have placed before us, the duty will be Rs. 5-5-4 or ten per cent. *ad valorem*, whichever is higher. I do not know the present price of steel and steel products, but I imagine it is somewhere about Rs. six per cwt. If that is so, then the ton price is Rs. 120. If you calculate the duty at ten per cent. *ad valorem*, the new duty will come to about Rs. 12 per ton, whereas the proposed duty is Rs. 5-5-4, which again means an increase of duty of about Rs. 6-12-0 to Rs. seven on the goods. Well, when the import duty is higher than the selling price in the market of goods of British manufacture, then they must be sold at Rs. seven per ton. The Tariff Board have given protection to the extent of about Rs. 5-5-4 to Tatas. According to this clause, you are giving Rs. 12 per ton, which means Rs. seven more protection per ton. If I am correct, Sir, if the market price I have calculated is correct,—I do not know what is the present market price,—then Tatas will surely be benefited. My friend, Dr. Ziauddin Ahmad, said that protection to Tatas is being given in several ways, visible, invisible and latent, and, therefore, it seems to me that this is latent protection which is being given by this House to Tatas. Sir, I consider it is very unfair to the consumer that Government should give such concessions to Tatas at the expense of the poor consumers. With these few words, I support this amendment.

The Honourable Sir James Grigg : Sir, I could hardly believe my ears when I heard the three Honourable Members attacking the Government for having in the Select Committee introduced this amendment. In the debate on the 1st August last, I sought to defend the position which the Government had taken up in following the recommendation of the Tariff Board's Report. I was attacked from all sides of the House, by the Leaders of every Party, and did a single one of the Honourable Members get up and support the Government? No, not a word, and now when the Government give way to their Leaders, they get up and attack the Government for doing so. I notice their Leaders are not here. Possibly it is a case of "when the cat is away the mice are having a game of their".

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

It might be pointed out that the proposal of Dr. Ziauddin Ahmad is to revert to Government's original proposal. The Government's original

[Sir James Grigg.]

proposal was, as I sought to explain previously, conceived in the interests of subsidiary industries, but what became clear was that the people who made a great fuss about those proposals were those very subsidiary industries themselves. And that was the reason why the Government in the Select Committee modified their original position and accepted a scheme which quite clearly, from all that has gone on in the press and in this House, commended a much wider measure of support than their original proposals. One of the numerous Chancellors of the Exchequer, whom I had the honour to serve, used to make use of a phrase when he tried to persuade the people to accept various forms of taxation for their own good—"you cannot force little dogs to eat mutton". That is the position here. It may or may not be a matter of regret that the substituted proposal which the Government have now adopted will injure the British manufacturer, that it will put a few lakhs into the pockets of Tatas at the expense of the subsidiary industries, but clearly our prime motive was to benefit those very subsidiary industries, and when it became plain that these people did not appreciate the gifts designed for them and refused to receive them, the ground was cut from beneath the feet of the Government. The amendment now made in the Bill simply means that the Government acquiesced in the views of the people they intended to benefit and who were not in the least grateful for the benefits designed for them. That is the position. There having emerged from the Select Committee a scheme, which obviously commands a much wider measure of support than the original one, although the modifications are comparatively small, I think now it is too late for the Government to go back to their original proposal, and, therefore, although it was the Government's original proposal,—and some of us may regret that we have been forced to recede from it,—Government certainly cannot accept the amendment now proposed.

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

"That in the Schedule to the Bill, in the proposed Amendment No. 2, in the third column of Item No. 143 (a) (4), the words and figures 'or 10 per cent. *ad valorem*, whichever is higher,' where they occur for the first time, be omitted."

The Assembly divided :

AYES—8.

Abdoola Haroon, Seth Haji.	Pandya, Mr. Vidya Sagar.
Badi-uz-Zaman, Maulvi.	Sadiq Hasan, Shaikh.
Ismail Ali Khan, Kunwar Hajoo.	Shafee Daoodi, Maulvi Muhammad.
Murtuza Saheb Bahadur, Maulvi Sayyid.	Ziauddin Ahmad, Dr.

NOES—59.

Abdul Aziz, Khan Bahadur Mian.	Bhore, The Honourable Sir Joseph.
Abdul Matin Chaudhury, Mr.	Brij Kishore, Rai Bahadur Lala.
Ahmad Nawaz Khan, Major Nawab.	Buss, Mr. L. C.
Ali, Mr. Hamid A.	Chatarji, Mr. J. M.
Allah Baksh Khan Tiwana, Khan Bahadur Malik.	Chinoy, Mr. Rahimtoola M.
Anklesaria, Mr. N. N.	Craik, The Honourable Sir Henry.
Bajpai, Mr. G. S.	Dalal, Dr. R. D.
Bhadrapur, Rao Bahadur Krishna	Duguid, Mr. A.
Raddi B.	Grantham, Mr. S. G.
	Grigg, The Honourable Sir James.

Hockenhill, Mr. F. W.
 Hudson, Sir Leslie.
 Ibrahim Ali Khan, Lieut. Nawab
 Muhammad.
 Jadhav, Mr. B. V.
 James, Mr. F. E.
 Jawahar Singh, Sardar Bahadur Sardar
 Sir.
 Kamaluddin Ahmad, Shams-ul-Ulema
 Mr.
 Lal Chand, Hony. Captain Rao Baha-
 dur Chaudhri.
 Lindsay, Sir Darcy.
 Lumby, Lieut.-Colonel A. F. R.
 Mahapatra, Mr. Sitakanta.
 Metcalfe, Mr. H. A. F.
 Mody, Mr. H. P.
 Morgan, Mr. G.
 Mrjumdar, Sardar G. N.
 Mukherjee, Rai Bahadur Sir Satya
 Charan.
 Nihal Singh, Sardar.
 Noyce, The Honourable Sir Frank.
 Pandit, Rao Bahadur S. R.
 Perry, Mr. E. W.

Rafiuddin Ahmad, Khan Bahadur
 Maulvi.
 Baghubir Singh, Rai Bahadur Kanwar.
 Raiman, Mr. A. J.
 Rajah, Rao Bahadur M. C.
 Ramakrishna, Mr. V.
 Ranga Iyer, Mr. C. S.
 Kastogi, Rai Sahib Badri Lal.
 Ran, Mr. P. R.
 Richards, Mr. W. J. C.
 Row, Mr. K. Sanjiva.
 Scott, Mr. W. L.
 Sher Muhammad Khan Gakhar,
 Captain.
 Singh, Mr. Pradyumna Prasad.
 Sircar, The Honourable Sir Nripadran.
 Spence, Mr. G. H.
 Studd, Mr. E.
 Trivedi, Mr. C. M.
 Yakub, Sir Muhammad.
 Yamin Khan, Mr. Muhammad.
 Zakauallah Khan, Khan Bahadur Abu
 Abdullah Muhammad.
 Zyn-ud-din, Khan Bahadur Mir.

The motion was negatived.

Seth Haji Abdoola Haroon : Sir, I rise to a point of order, and that has already been mentioned in the speech of my Honourable friend, Maulvi Muhammad Shafee Daoodi. That point is whether the Select Committee can raise the duty as proposed in the original Bill without the Governor General's permission.

Mr. President (The Honourable Sir Shanmukham Chetty) : In the first page of the Select Committee's report, under the heading "The Schedule entries Nos. 2, 3, 8 and 16", in the last sentence of that paragraph, the Honourable Member will find that sanction has been obtained.

There is evidently some confusion in the minds of Honourable Members as to the validity of certain amendments. Where there is already an existing duty, if the amendment simply seeks to restore the *status quo*, that is to maintain the existing duty, that amendment is in order and will not require the sanction of the Governor General, even though it may be an increase on the proposed duty. It is only where the amendment would increase, not merely the proposed duty, but would increase the existing level of duty, that the sanction of the Governor General would be required.

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

"That in the Schedule to the Bill, in the proposed amendment No. 2, in the third column of Item No. 148 (a) (t), for the words and figures 'or 10 per cent.' the words and figures 'plus 10 per cent.' be substituted and the words 'whichever is higher', wherever they occur, be omitted."

Sir, this amendment would have exactly the opposite effect to that of the previous amendment. Here I have only sought to give effect to the countervailing duty that is imposed on the structurals. That is contemplated in item No. 43. The Government have decided to impose an excise duty on the steel ingots produced in India and at the same time they have stated that they are levying a countervailing import duty over

[Mr. T. N. Ramakrishna Reddi.]

the foreign imports in order to balance the burden. In the Bill, as amended by the Select Committee, the structurals are liable to revenue duty of ten per cent. Now, if the countervailing duty is levied upon those structurals as an alternative to revenue duty the effect will be the countervailing duty per ton being lower than the ten per cent. revenue duty, the countervailing duty will have absolutely no effect and hence it will benefit the foreign importers. My amendment only wants to give effect to the recommendations of the Government themselves. With these words, I move my amendment.

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

“ That in the Schedule to the Bill, in the proposed amendment No. 2, in the third column of Item No. 143 (a) (i), for the words and figures ‘ or 10 per cent. ’ the words and figures ‘ plus 10 per cent. ’ be substituted and the words ‘ whichever is higher ’, wherever they occur, be omitted.”

Mr. K. P. Thampan : On a point of order. When I moved my amendment No. 23, which is the same as this amendment, the Deputy President ruled me out on the ground that the sanction of the Governor General was not obtained. I wonder.....

Mr. President (The Honourable Sir Shanmukham Chetty) : The Chair is always the Chair, whether it is the President or the Deputy President.

The Honourable Sir James Grigg : This amendment is one of a series designed to make the import duty to countervail the excise duty on ingots additional to the revenue duty and not merged in it. The sole effect of that, in the case of tested steel, is to increase the duty against the consumer. On a rough calculation which I have made, the only effect will be to put into the pockets of Tatas anywhere between 12 and 16 lakhs and to take much more than that out of the consumer. A good deal of lip service has been paid to the consumer's interests from the Benches opposite but not much real attention has been paid to him. In this instance, the Government are going to attend to the interests of the consumers and resist these amendments. It gives entirely unnecessary protection to Tatas. It gives them an entirely gratuitous gift of quite a considerable number of lakhs and takes even more than that number of lakhs out of the consumer.

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

“ That in the Schedule to the Bill, in the proposed amendment No. 2, in the third column of Item No. 143 (a) (i), for the words and figures ‘ or 10 per cent. ’ the words and figures ‘ plus 10 per cent. ’ be substituted and the words ‘ whichever is higher ’, wherever they occur, be omitted.”

The motion was negatived.

Dr. Ziauddin Ahmad : Sir, my amendment is :

“ That in the Schedule to the Bill, in the proposed amendment No. 2, in the third column of Item No. 143 (a) (ii), for the figures ‘ 43 ’ the figures ‘ 10 ’ be substituted.”

Sir, the figure 43, I thought, was rather too high because it works out a duty of 66 per cent. *ad valorem*, which was not very justifiable but I put down the figure 10 in view of the fact that my proposal No. 25 may be accepted. Therefore, since No. 25 has not been accepted, I do not move my present amendment.

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

“ That in the Schedule to the Bill, in the proposed Amendment No. 3, in the third column of Item No. 144 (i), after the words ‘ *ad valorem* ’ the words and figures ‘ *plus 1½* times the excise duty leviable for the time being on the steel ingots produced in British India ’ be inserted.”

Here also I seek to raise the duties on the foreign imports by making the countervailing duty as an addition to the revenue duty and not as alternative as proposed in the Bill. For the same reasons which I adduced in my previous amendment, I move this amendment.

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

“ That in the Schedule to the Bill, in the proposed Amendment No. 3, in the third column of Item No. 144 (i), after the words ‘ *ad valorem* ’ the words and figures ‘ *plus 1* times the excise duty leviable for the time being on the steel ingots produced in British India ’ be inserted.”

The Honourable Sir James Grigg : Sir, my comments on this proposal are exactly the same as on the Honourable Member's last proposal. Government are not prepared to accept an amendment which gives an unnecessary protection to Tatas and which unnecessarily takes money out of the consumers' pockets.

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

“ That in the Schedule to the Bill, in the proposed Amendment No. 3, in the third column of Item No. 144 (i), after the words ‘ *ad valorem* ’ the words and figures ‘ *plus 1½* times the excise duty leviable for the time being on the steel ingots produced in British India ’ be inserted.”

The motion was negatived.

Dr. Ziauddin Ahmad : Sir, I beg to move :

“ That in the Schedule to the Bill, in the proposed Amendment No. 8, in the third column of Item No. 147 (a)(i), the words and figures ‘ or 10 per cent. *ad valorem*, whichever is higher ’, where they occur for the first time, be omitted.”

Sir, this amendment is practically the same as amendment No. 25. I do not like to make a fresh speech ; the same speech, as was delivered on the previous occasion, may be taken to be delivered on this occasion also. (Laughter.)

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

“ That in the Schedule to the Bill, in the proposed Amendment No. 8, in the third column of Item No. 147 (a)(i), the words and figures ‘ or 10 per cent. *ad valorem*, whichever is higher ’, where they occur for the first time, be omitted.”

The same speech ? (Laughter.)

The Honourable Sir James Grigg : The same speech, Sir.

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

“ That in the Schedule to the Bill, in the proposed Amendment No. 8, in the third column of Item No. 147 (a)(i), the words and figures ‘ or 10 per cent. *ad valorem*, whichever is higher ’, where they occur for the first time, be omitted.”

The motion was negatived.

Dr. Ziauddin Ahmad : I do not want, Sir, to move amendment No. 32 on account of the same reasons, because this is really a consequential amendment on the one regarding reduction of the ten per cent. duty.

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

“ That in the Schedule to the Bill, in the proposed Amendment No. 9, in the third column of Item No. 148 (a) (1) (i), for the words and figures ‘ Rs. 11 per ton ; or 10 per cent. *ad valorem*, whichever is higher ’ the words and figures ‘ Rs. 32 per ton ’ be substituted.”

This amendment No. 33, as also amendments Nos. 35, 36, 37 and 38, all refer to galvanized sheets. I propose by these amendments to equalize the protective duty both on the British galvanized sheets as well as the continental galvanized sheets. Sir, I do not oppose any preferential treatment to the British goods if it does not affect our industries in this country ; and it is obvious by the fact that I have not moved any amendment for the preferential treatment of British goods in connection with other articles in the Schedule. Sir, in this particular instance of galvanized sheets, the Tariff Board has departed from its orthodox method by calculating the protective duty that is necessary for the indigenous article.

Mr. President (The Honourable Sir Shanmukham Chetty) : Not galvanized sheets—black sheets.

Mr. T. N. Ramakrishna Reddi : They may be converted into galvanized sheets—that is why I am moving all these amendments, with your permission.

Mr. President (The Honourable Sir Shanmukham Chetty) : The Honourable Member may move this as a test amendment of his case for equalising his duties and then he may decide whether to move the other amendments or not.

Mr. T. N. Ramakrishna Reddi : However, I shall make a speech when I come to the question of the galvanized sheets and so I content myself with moving this amendment stating that the duties on Continental imports as well as the British imports should be made equal.

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

“ That in the Schedule to the Bill, in the proposed Amendment No. 9, in the third column of Item No. 148 (a) (1) (i), for the words and figures ‘ Rs. 11 per ton ; or 10 per cent. *ad valorem*, whichever is higher ’ the words and figures ‘ Rs. 32 per ton ’ be substituted.”

The Honourable Sir James Grigg : Sir, this is a proposal to equalize the duties on Continental and British sheets. A considerable case against this could be made out on Ottawa grounds, but I shall, in order to avoid any misapprehension, deal with it purely from the point of view of the Indian consumer. Now for this purpose it will be necessary for me to use a few figures. The bases of the Tariff Board recommendations are a landed price for British black sheets of Rs. 119, a landed price for continental sheets of Rs. 97, and a fair selling price for Tatas in each case of about Rs. 130. Now, this amendment proposes to equalize the duties at Rs. 32 per ton. That raises the landed price of duty-paid United Kingdom sheets to Rs. 151 and the landed price of continentals to Rs. 97 + 32 = Rs. 129. What it means is that as Tatas have a limited capacity for sheets and cannot with their present plant supply the whole of the Indian market, the whole of the margin automatically goes to continental sheets. The continental exporters will put up their price to Rs. 150, just enough to get underneath the British price and that means that the consumer, instead of paying a fair price of Rs. 130 for his

supplies, will have to pay Rs. 150,—and you do not suppose in these circumstances Tatas are going to sit still and sell their sheets for Rs. 130. No, they will sell theirs for Rs. 150 or Rs. 149 and, therefore, in each case Rs. 19 a ton is unnecessarily being taken out of the consumer and being put partly into Tatas' pockets who thus get an unearned increment without their turning a hand, and a similar figure per ton into the pockets of the continental exporter, and you cut completely out of the market the British exporter. You have thus done severe damage to the Indian consumer, through the abolition of the differential, to the extent of Rs. 19 a ton. That does not seem to me to be very good business! Sir, I oppose the amendment.

Mr. B. Das : Sir, so many fallacious arguments have been advanced by the Honourable the Finance Member that I am compelled to speak a few words. Sir, this love for the consumer is a theory which has gone deep into the minds of the Treasury Benches. I may remind the House how, when the first steel protection was given, it was in the Select Committee that my Leader, Mr. K. C. Neogy, fought for the consumer and wanted that there should be no protection of galvanized sheets, and, at that time, although the Tatas were not producing a ton of galvanized sheets, in order to help the Government exchequer, they put a heavy revenue duty. In 1927, when Sir Charles Innes moved his second Steel Protection Bill, he acknowledged his defeat before Mr. Neogy. He said— at least virtue and patience had been rewarded, and there was a reduction of duty on the galvanized sheets : and today, Sir, to trot out the interests of the consumers and at the same time to say that British galvanized sheets will also be affected, is absurd. Sir, to me and to the country at large, it is the British galvanized sheets that is the main thing that is in the minds of the Treasury Benches. Sir, the differential duty in 1927 has completely ousted the continental galvanized sheets from the Indian market and today Tatas might make a headway, and—I am divulging no secret, although my Honourable friend, Sir Leslie Hudson, pointed out that I had not understood the true spirit and significance of the difference between a differential duty and a preferential duty, I advocated the argument in Select Committee that the differential duty which the Tariff Board has designed is nothing but a preferential tariff for British steel sections. Although my Honourable friend, Mr. Mody, was very silent at that time, when the galvanized sheets problems were being discussed, he brought forward a similar argument and said that the Tariff Board has not assessed a differential tariff but that it is a preference to British sheets. So, I felt that the arguments that I advanced for the whole scheme that has been designed by the Tariff Board and the Government are correct, because Mr. Mody, being modest and virtuous, did not like to put forward those arguments in the case of all steel sections. So, Sir, after ten years Government have not handicapped the consumer. It was the late Mr. Alexander from Madras who always used to plead that the duties on the galvanized sheets should be reduced, but, at that time, Government had no words to say because they were in need of money. I am sure the Steel Company never advocated protection of galvanized sheets in 1924. In 1927 it was reduced. Of course, the Finance Member has said that he is thinking of the consumer, but I do not know where is his consumer, I mean the masses, for whom the heart of the Government bleeds so much ! Where does he exist and where is the money in his pocket to buy these galvanized sheets today !

Mr. S. C. Sen (Bengal National Chamber of Commerce : Indian Commerce) : Therefore he is not handicapped.

Mr. B. Das : Therefore, the consumer is not at all handicapped. The other day, my Honourable friend, Raja Bahadur Krishnamachariar, accused me by saying that we are not thinking of the consumer and the masses. Sir, when we are thinking of the protection of industries, we must see that the protection is adequate or there should be no protection at all. Sir, I do not like the arguments that are so often trotted out that these schemes are in the interests of the consumers and that they are being benefited. If the consumers are benefited, it is the rich people who are the higher class consumers and they can easily afford to pay higher prices. On their behalf, I can assure the Government, we are willing to bear the extra cost ; but the Government are going to reduce the price of galvanized sheets, not so much in the interests of Tata's but to see that the British sheets so capture the market that the Tata's will never be able to expand their production of galvanized sheets. Sir, at no time can I visualise that India will be self-supporting in the matter of galvanized sheets. With these remarks I support the amendment.

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

“ That in the Schedule to the Bill, in the proposed Amendment No. 9, in the third column of Item No. 148 (a) (1) (i), for the words and figures ‘ Rs. 11 per ton ; or 10 per cent. *ad valorem*, whichever is higher ’ the words and figures ‘ Rs. 32 per ton ’ be substituted.”

The motion was negatived.

Dr. Ziauddin Ahmad : Sir, I beg to move :

“ That in the Schedule to the Bill, in the proposed Amendment No. 9, in the third column of Item No. 148 (a) (1) (ii), for the figures ‘ 32 ’ the figures ‘ 23 ’ be substituted.”

Sir, I notice that on page 54 of the Tariff Board's report the price of non-British goods is given as 97 and the fair selling price is given as 122. So, I thought that the protection that was needed was just 23 after making allowance between excise and countervailing duties. If you analyse this thing on page 54 and also the previous columns on page 45 where the fair selling prices are given, then you will find that the fair selling price of the black sheets is 122 and there the continental price is given as 97. Therefore, the difference in this case is 23, as Rs. 2 will be the difference between excise duty and the extra duty put on, *i.e.*, Rs. 6 per ton.

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

“ That in the Schedule to the Bill, in the proposed Amendment No. 9, in the third column of Item No. 148 (a) (1) (ii), for the figures ‘ 32 ’ the figures ‘ 23 ’ be substituted.”

The Honourable Sir Joseph Bhoré : Sir, a little while ago when I was dealing with one of my Honourable friend's typical amendments, I delivered a speech which I asked should be read as repeated on the occasion of all similar amendments. There is only one additional point that I would refer to here and that is that my Honourable friend has mixed up his figures. He stated that the fair selling price is 122 but if he will look at it carefully, he will find that this fair selling price is for Tatanagar, whereas in Table 23 the fair selling price for a port is given

and it is 129. There is, of course, this difference between this particular amendment of my Honourable friend and his previous amendments. There appears to be some logic about this, because it proceeds by transposing the digits while on a previous occasion a figure seemed to have been taken at random. To that extent, my Honourable friend is a little more scientific than he was on the previous occasion. I am afraid that I must oppose the amendment.

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

“ That in the Schedule to the Bill, in the proposed Amendment No. 9, in the third column of Item No. 148 (a) (1) (i), for the figures ‘ 32 ’ the figures ‘ 23 ’ be substituted.”

The motion was negatived.

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

“ That in the Schedule to the Bill, in the proposed Amendment No. 9, in the third column of Item No. 148 (a) (2) (i), for the words and figures ‘ Rs. 10 per ton ; or 10 per cent. *ad valorem*, whichever is higher ’ the words and figures ‘ Rs. 40 per ton ’ be substituted.”

Sir, this amendment refers to duties on galvanized sheets. My Honourable friend, the Finance Member, has been repeatedly opposing similar amendments by saying that they will break the consumer's back. Now, we are dealing with a protection Bill to a particular industry and necessarily when we impose any protective duty, it will raise the prices which the consumers will have to pay. Now, the one question which the House has got to decide is whether you are giving protection to the industry or not. If you decide that we are giving protection to an industry, then we must ask the next question ‘ what is the object of giving that protection ? ’ Is it because Government wants to give an instalment of protection so that the industry may be able to get along for a number of years without being able to stand on its own legs at any time or whether you are giving protection to that industry substantially so that within a definite specified time it might be able to stand on its own legs and may completely eliminate foreign competition and then lower the prices of the articles so that consumers may benefit ultimately ? That is the question we have to decide. Now, I am dealing with the particular question of galvanized sheets and I would request Honourable Members not to confuse this particular item with the other previous items that have already appeared. This item has been dealt with in a different fashion by the Tariff Board itself.

Sir, in arriving at the amount of protection that should be given to a particular article, the Tariff Board has uniformly adopted the orthodox method of calculating the fair selling price of the Indian article. They have then taken the landed price of the foreign article in the port of Bombay and then they have taken the difference between these two prices as the quantum of protection needed for that particular industry. But, with regard to galvanized sheets, they have deviated from that orthodox method. In the case of galvanized sheets they have adopted an entirely different method. That different method is that while they have taken the landed price of continental galvanized sheets that are imported into this country in 1933 for the purpose of calculation, they have not taken the value of the landed price of British galvanized sheets for the same period. They have stated as the reason for this differential calculation that the price of British galvanized sheets has been artificially raised on

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account of certain circumstances, that is the Ottawa Agreement. If Ottawa Agreement has intervened in 1933, there is absolutely no objection for the Tariff Board to take into consideration the value that existed before the Ottawa Agreement, that is in the first half of 1932 when only competitive prices were prevailing. That would have been a proper method of calculation. On the other hand, their object seems to be to give protection to the British galvanized sheets in preference not only to continental but also to home production. That point I will presently prove. At the time of the Ottawa Agreement in fixing the amount of protection that is necessary as against British galvanized sheets, the parties to the agreements stated that there should be preferential treatment to British galvanized sheets on account of two considerations. Those are, firstly, that Great Britain would import Indian pig iron duty free, and secondly, that Great Britain will allow Indian sheet bar to Great Britain duty free so that sheets might be made out of those bars and sent back to India. For these two considerations a lower rate of protection duty was allowed to British galvanized sheets. Before that Ottawa Agreement, in 1927, there was a uniform duty of Rs. 30 per ton on both British and Continental galvanized sheets. In 1930, the industry wanted further protection, because they could not stand the competition both of British as well as of the Continent. The Tariff Board enquired into the matter and gave further protection of Rs. 37 per ton and in 1930 the protection was Rs. 67 per ton both on the Continent as well as on the British galvanized sheets. In 1932 a surcharge of 25 per cent. was imposed on this duty. The result has been that the trade of Great Britain had considerably fallen and the value of the imported galvanized sheets fell from seven crores of rupees to one crore by the year 1932. Then came the Ottawa Agreement and, as I have just now explained, both parties had come to an agreement giving a preferential duty to British galvanized sheets. That preference is that if the United Kingdom sheets were manufactured from Indian sheets, the duty should be Rs. 30. If the sheets are made from British steel, the duty should be Rs. 53. As against the Continental galvanized sheets the duty was fixed at Rs. 83 per ton. Thus, for the first time, in the Ottawa Agreement these differential duties were introduced. We have to ask whether those considerations at present exist, that is to say whether those considerations still exist for continuing this advantage to the British galvanized sheets? With regard to sheet bars it has been found that it was no longer possible for the Indian industry to export sheet bar to England on account of the development in the capacity of producing sheets in Tata works, and also on account of the increased demand for billets by the re-rolling mills in India. For this reason, the Tatas are not in a position to send sheet bars to England. On the other end also the industry is not anxious to get sheet bar from India. They also wanted to stop this kind of importation of sheet bar from India. This is what the Tariff Board say on this point :

“On the other hand the representatives of the British industry have informed us that for their part they have no particular reason to press for a renewal of this agreement.”

So, one consideration, out of these two considerations, has ceased to exist. Then with regard to the introduction of pig iron into the United Kingdom duty free. In 1932-33 before this facility was given, the imports into the United Kingdom of Indian pig iron was 75 thousand tons and after these facilities were given in 1933, the imports were only 93

thousand tons. On the other hand, the exports of pig iron to the other countries have enormously increased much more in proportion than what it has been in the case of the United Kingdom. So these considerations have not been of much benefit to the Indian industries, and, as my Honourable friend, Mr. Mudaliar, said that after all we gain very little by this exemption of duty on pig iron. According to him it is only one rupee per ton that we gain from these exports of pig iron to the United Kingdom. These two considerations do not exist now. What has been the position? On account of this preferential duty, the Continental sheets have been completely ousted and the United Kingdom goods have been dumped into this country. If the Continental sheets were imported at a lower value, it is because of many improvements in the steel industry that have been introduced in Belgium, France and Germany, and hence they are in a position to produce these sheets more economically. On the other hand, the United Kingdom has not been able to produce sheets economically and they want this prop from the Indian market to dump their goods into our market. (Applause.) What is the position at present with regard to the imports of galvanized sheets into India? It has been found that the total amount of consumption in India of galvanized sheets in 1933 was estimated at 115,000 to 120,000 tons. Now the Tatas have improved their plant enormously for the production of these galvanized sheets and a new unit has begun to work in 1933 and they are introducing another unit and it will begin working by the end of 1934. And then the total capacity of the plant for producing the sheets will be 20 to 25 thousand tons of black sheet and 90,000 tons of galvanized sheets. They are also contemplating to introduce another third unit. Now, Sir, out of 115,000 tons of the market that is obtaining for galvanized sheets in India, Tatas are in a position to supply 90,000 tons of the galvanized sheets and there are only about 25,000 tons left both for the United Kingdom and for the Continent. Hence, I do not see any reason why they should make this difference in the rates. On the other hand, if this difference is not made and with a little prop to the Tata's, they will be in a position to supply the entire requirements of Indian consumption.

Now, Sir, my Honourable friend has repeatedly said that we will be hitting hard the consumer if we put equal duties both on British as well as Continental steel. But what will be the effect? If you want to help the consumers you must reduce the duties both on the Continental as well as British galvanized sheets. It is only then that there will be competition and then the prices will necessarily go down. On the other hand, if you retain the heavier duty on the Continent, then the price of galvanized sheets in India will be governed by the price of the imports of foreign galvanized sheets. That will be the price, and then what will be the result? The result will be, that on account of the preference you are giving the British people, the difference between these two duties will go to the pockets of the British industrialists as bounty and that bounty has been calculated at 20 lakhs of rupees.

Then it is said that the agriculturists will greatly benefit. Sir, the less the present Government speak of benefiting the agriculturists the better. Sir, I am an agriculturist, I come from an agricultural family and I represent an agricultural constituency. Certainly, if there is to be any great benefit to be achieved for the agriculturists, I would be the first to vote for it. Sir, in my Presidency, it is a notorious fact that the price of

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rice has fallen considerably and we have been pressing Government, time after time, to take steps to raise the price and thus give a benefit to the agriculturists. Even to this day there is an export duty on the export of rice from India. When you have got competition on all sides, when every week Siamese rice is being dumped into the ports of India and when the prices of agricultural products have gone down, consequently the Government have not been able to take any steps to stop the imports of rice. Sir, it has been said that if we are able to raise the price of a maund of rice by one anna, that will add nine crores of rupees to the agricultural economy of India. But in spite of repeated requests they have not been doing anything in that direction. On the other hand they say that the agriculturists will benefit by this reduction. The reduction is itself problematical. On the other hand, as I already stated the other day, it is not the agriculturists but the industrialists who will benefit if there is to be any benefit at all. And, whatever extra money the industrialists pay for the galvanised sheets, it will go to the capital expenses of their industry. Sir, the consumer is prepared to help the industry by making some sacrifice so that it might stand on its own legs, and ultimately, dispense with this protection. For all these reasons, I do not see any reason why they should make this difference between British galvanised sheets and Continental galvanised sheets. I prefaced by saying that I would not have opposed it if it would not hit the Indian industry. Sir, the Honourable the Finance Member stated they were compelled to levy the excise duty on steel ingots on account of the anticipated fall of revenue on account of the preferential rate of duty proposed to British galvanised sheets: I submit that there will be absolutely no reason why you should impose an excise duty if you only equalise the import duties on all these imports of galvanised sheets. So, no case has been made out by Government for giving this preferential treatment to the galvanised sheets of the United Kingdom and of the Continental countries. Sir, I have great pleasure in moving this amendment which would equalise the duty. (Applause.)

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

“ That in the Schedule to the Bill, in the proposed Amendment No. 9, in the third column of Item No. 148 (a) (2) (i), for the words and figures ‘ Rs. 10 per ton ; or 10 per cent. *ad valorem*, whichever is higher ’ the words and figures ‘ Rs. 40 per ton ’ be substituted.”

The Honourable Sir James Grigg : Sir, I ask to be excused from following the last speaker into his disquisition on the subject of rice in Madras. I will only just say one word. In so far as I could follow his argument, it was that Government were extremely blameworthy for not having long ago imposed an anti-dumping duty on rice from Siam imported into Madras, but that when they imposed on Continental sheets an anti-dumping duty they were doing something outrageous and wicked. I do not follow the logic of these two conclusions. As a matter of fact, Sir, 9/10ths of the Honourable Member's speech would not have been made if he had listened to the explanation on the question of the landed price of British sheets which was given by my Honourable friend, the Commerce Member, yesterday. Mr. Reddi is proceeding on the assumption that in this Bill we are giving a preference to British sheets. The Commerce Member proved to the satisfaction of the Honourable Member who

first raised this question, also from Madras, that the minimum landed price, without duty, of British sheets was Rs. 160, so that no question of preference arises. The ordinary question of differential duties only is in question. So, with that preliminary, I come back to prove again that the proposal to equalise the duties on British and continental galvanised sheets will do a great deal of harm to the consumer. Incidentally, both the last speaker and Mr. Das seem to think that the consumer of the 150,000 tons of sheets, used every year, is entirely imaginary. But that they are consumed is undoubted! The landed price, without duty of continental galvanised sheets, is Rs. 130 a ton. The Commerce Member proved quite conclusively that the landed price of British sheets without duty is Rs. 160 a ton. Tata's fair selling price is Rs. 170 a ton. Now the proposal is to put a duty of Rs. 40 a ton on British sheets. It raises the price of British sheets with duty paid to Rs. 200. Now, as Tata's can only supply a limited part of the Indian market, that means that the whole of the margin is handed over to the continental exporter, which means that the continental exporter, who has a landed price of Rs. 130 a ton and a duty of Rs. 40 a ton, will be able to raise his price from Rs. 170 to (say) Rs. 195. Tata's will also raise their price from Rs. 170 to Rs. 195. Therefore, on every ton of galvanised sheet consumed in India, the consumer will have to pay Rs. 25 a ton extra. That is the result of an ill-considered attempt to equalise the duties on British and continental sheets. Thus, it really becomes a question of cutting off your nose to spite your face—or rather cutting off the Indian consumers' nose to spite the British exporters' face. That seems to me to be extremely bad business, and, therefore, in the interests of the Indian consumer, not in the interests of the British exporter, the Government oppose this amendment.

Dr. Ziauddin Ahmad : Sir, my friend, Mr. Reddi, has drawn attention to a very important point about the connection between the price of rice and the consumption of galvanised sheets. Here, I notice, that in appendix 3 of the Report of the Tariff Board, they have given a graph and we find from that graph that the consumption of these sheets—which is given by the dotted line—always lies midway between the jute prices index and the cereal prices index. Therefore, the graph clearly shows that the consumption of these sheets is proportionate to the prices of these important articles—jute and cereals. As we have pointed out on the floor of the House, these sheets are used substantially in Eastern Bengal and Burma and in Bihar also, and the agriculturists can afford to buy if they can pay the price for these sheets; and in the absence of cheap prices for these sheets, they will have to go without them and live in huts made of straw which are exceedingly inconvenient during the rains as well as during the winter and thus they suffer very much for want of these sheets. Therefore, in the interests of the people of India, and especially in these three Provinces, it is absolutely necessary that we should reduce the price of these sheets as much as possible. Hence, any attempt that may be made to raise the price of sheets, without correspondingly raising the prices of our agricultural produce, will be hitting the agriculturist exceedingly hard. The graph, which is put here, is a very remarkable graph and you will find that for the last several years consumption of these sheets lies just half-way between the prices of jute and the prices of cereals.

[Dr. Ziauddin Ahmad.]

The other thing that we notice is that the higher the prices of these sheets, the lower becomes the consumption—especially after the year 1929-30. The law of diminishing return has set in. This is a thing to which we have been repeatedly drawing attention, that it is doing a great injustice to the people of India, 70 per cent. of whom are agriculturists, if we raise the prices of manufactured articles without making any effort to raise the prices of agricultural products. This is a point which Mr. Reddi very much emphasised and it is clear from the graphs given at the end of this report. Therefore, if the Government desire to levy any duty on this article, in order to raise the price of this particular commodity, it is first and foremost their duty to raise the prices of agricultural products, because we find that their consumption is very much correlated to the prices of agricultural products. Therefore, this point which Mr. Reddi has just now raised is an exceedingly relevant point : that is, we must first think of wheat, we must first think of rice, we must first think of all these products before we can begin to think of these sheets.

The other point which I mentioned and which I would like to emphasise again is that this is an article not of luxury, but of necessity for the poorer people, because the richer people do not require these sheets for building their houses : they build their houses of bricks and stone : it is only the poorer people who have to build their houses with straw and to cover the houses with these sheets to protect them from rains and from cold.....

Mr. Gaya Prasad Singh : And from outbreaks of fire also.

Dr. Ziauddin Ahmad : Yes, that is very common to these houses.....

An Honourable Member : And from earthquakes.

Dr. Ziauddin Ahmad : My friend adds earthquakes : and I will add one or two other categories,—accidents, etc.....

Raja Bahadur G. Krishnamachariar : Straw houses are immune from earthquakes.

Dr. Ziauddin Ahmad : But, unfortunately, they are not immune from the other calamity, such as fire, and, therefore, these sheets are exceedingly important, and, I think, it ought to be the duty of every Government which looks after the interests of the people, to see that the prices of this commodity should be kept as low as possible. Though we may give to Tatas very large profits—amounting to four per cent. in some cases, I think, in this particular commodity, we should give them only ten per cent. profit on the working cost and this is quite enough. I appeal in the interests of those who cannot speak for themselves that, at least in this particular article, the Tatas should be given only ten per cent. as the manufacturing profit ; and if this principle is accepted, then the prices of these sheets will become low.

Coming now to galvanised sheets, the fair selling price is Rs. 159 per ton. But if we give them only ten per cent. profit, then the fair selling price will be reduced from 159 to 144 rupees. If we give them one rupee extra for additional profit to meet the so-called unforeseen emergency that might arise, that would come to Rs. 145, and, I think,

the Government should, in the interests of the poor people, fix the fair selling price at this figure, and not more. If we put the fair selling price at Rs. 145, I think it will be fair that we should regulate the customs duty and make it as low as possible in the interests of these consumers. With these observations, I oppose the motion.

Mr. President (The Honourable Sir Shanmukham Chetty) : The
6 P.M. question is :

“ That in the Schedule to the Bill, in the proposed Amendment No. 9, in the third column of Item No. 148 (a) (f) (i), for the words and figures ‘ Rs. 10 per ton ; or 10 per cent. *ad valorem*, whichever is higher ’ the words and figures ‘ Rs. 40 per ton ’ be substituted.”

The motion was negatived.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 23rd August, 1934.