

# LEGISLATIVE ASSEMBLY DEBATES

FRIDAY, 3rd AUGUST, 1934

Vol. VI—No. 13

## OFFICIAL REPORT



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# LEGISLATIVE ASSEMBLY.

*Friday, the 3rd August, 1934.*

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

## STATEMENTS LAID ON THE TABLE.

*Information promised in reply to starred question No. 133 asked by Mr. M. Maswood Ahmad on the 16th February, 1934.*

### ALLOWANCES OF THE TRAVELLING TICKET INSPECTORS ON THE EAST INDIAN RAILWAY.

The Agent, East Indian Railway, reports :

- " (a) (i) The Inspectors of the ticket checking branch who are governed by the old East Indian Railway Rules are eligible for night allowance under the rules applicable to them.
- (ii) No allowances for Inspectors are mentioned in the Moody-Ward Report.
- (b) The staff under the East Indian Railway Company's Rules were given the option to elect the State Railway Rules for the grant of travelling allowance."

*Information promised in reply to unstarred questions Nos. 212, 213, 214 and 215 asked by Khan Bahadur Haji Wajihuddin on the 19th March, 1934.*

### GRANT OF MILEAGE ALLOWANCE TO THE TRAVELLING TICKET CHECKING STAFF.

212. (a) Travelling Ticket Examiners are charged with the duty of checking passengers' tickets in trains.

(b) The Guard is the Railway servant in charge of a train. Persons who are ordinarily held to be " Connected with the charge of a moving train " are the engine staff, an Assistant or Conductor Guard, a brakesman and, in some cases, a road van clerk.

(c) From the information now furnished by railways it appears that the only staff who get mileage allowance and who are not connected with the charge of a train are Travelling Ticket Examiners on the Burma Railways. This information had not been received at the time that a reply was given to Sardar Sant Singh's question No. 1363 on the 11th December, 1933, and the question as to the withdrawal of that allowance is now being referred to the Agent of the Burma Railways.

### GRANT OF MILEAGE ALLOWANCE TO THE TRAVELLING TICKET CHECKING STAFF.

213. The Agent, East Indian Railway, reports as follows :

- (a) and (b). No.

### CONDUCTOR GUARDS ON THE EAST INDIAN RAILWAY.

214. (a) Conductor Guards travel by night on mail trains and their duties are to look after the safety and comfort of passengers.

(b) On the trains on which Conductor Guards are provided, they perform a part of the duties ordinarily allotted to a Guard and as such they have duties connected with the charge of a moving train.

- (c) Yes.

## DUTIES OF AN ENGINE KHALASI.

215. (a) The Second fireman is not in charge of a moving train, but is considered connected with the charge of a moving train.

(b) The general rules applying to "Firemen" apply to all classes of firemen with equal force.

(c) Raking out the ash-pan, breaking up and passing forward of coal on the tender, assisting in cleaning fires and such as other duties as the driver may order him to carry out.

(d) Second firemen are ordinarily paid mileage allowance or overtime, in the same way as all other locomotive running staff.

*Information promised in reply to unstarred questions Nos. 8, 9 and 10 asked by Mr. Gaya Prasad Singh on the 18th July, 1934.*

## COMMUNAL COMPOSITION OF THE STAFF IN THE INCOME-TAX DEPARTMENT, BIHAR AND ORISSA.

8. (a) and (b). Statements are laid on the table.

(c) Three Income-tax Officers and three Assistant Income-tax Officers were promoted to the grade of Assistant Commissioners and Income-tax Officers, respectively. As regards non-gazetted staff, the number of promotions in the various grades was eight.

(a) Statement showing the total Number of Gazetted and Non-Gazetted Officers employed in the Income-tax Department, Bihar and Orissa, and the number belonging to each Community.

Posts.	Number employed.	Beharee Hindus.	Bengalee Hindus.	Muhammadians.	Oriyas.	Christians.	Remarks.
<i>Gazetted.</i>							
Commissioner .. ..	1	..	1	..	..	..	
Assistant Commissioner of Income-tax.	3 (a)	1	2 (b)	..	..	..	(a) One temporary. (b) Brahma.
Income-tax Officers ..	16*	6	7	2	1	..	* One appointed temporarily as Assistant Commissioner of Income-tax.
<i>Non-gazetted.</i>							
Inspector-Accountants (permanent).	17 (c)	6	4	4	2	1	(c) One officiating.
Inspectors (temporary) ..	9	4	3	1	1	..	
Clerks (permanent) ..	88	42	21	16	5	4	
Clerks (temporary) ..	30	12	9	6	1	2	

(b) Statement showing the Number of new Appointments made after the passing of Emergency Finance Act, 1931, in the undermentioned Services of the Income-tax Department, Bihar and Orissa.

Services.	No. of new appointments made.
Assistant Commissioner .. .. .	1
Inspector of Income-tax—	
Permanent .. .. .	6
Temporary .. .. .	9
Clerks (temporary) .. .. .	30

COMMUNAL COMPOSITION OF THE STAFF IN THE OFFICES OF THE ASSISTANT COMMISSIONERS OF INCOME-TAX, BIHAR AND ORISSA.

9.

Statement showing the Number of Assistants of Various Communities employed in the Offices of the Assistant Commissioners of Income-tax, Bihar and Orissa.

	Beharee Hindus.	Bengalee Hindus.	Muham-madans.	Oriyas.	Christians.	Remarks.
Office of the Assistant Commissioner of Income-tax, Central Range—						
Head Assistant.	1		..		..	
Sheristadar and Examiner of Accounts.	..		1			
Other Assistants.	2	..	..		..	
Office of the Assistant Commissioner of Income-tax Southern Range—						
Head Assistant.		1	..	..	..	} This area comprises of Orissa and Chota Nagpur where no Beharee likes to serve.
Sheristadar and Examiner of Accounts.		..	1	..	..	
Other Assistants.		2	..	..	..	
Office of the Assistant Commissioner of Income-tax, Northern Range—						
Head Assistant.		1	..	..	..	
Temporary—						
Sheristadar and Examiner of Accounts.	1	..	..	..	..	
Other Assistants.	1	..	..	..	..	

**ALLEGATIONS AGAINST THE SUPERINTENDENT IN THE OFFICE OF THE  
COMMISSIONER OF INCOME-TAX, BIHAR AND ORISSA.**

10. The answer is in the negative.

*Information promised in reply to starred questions Nos. 132, 133, 135 and 139  
asked by Mr. M. Maswood Ahmad on the 19th July, 1934.*

**COMMUNAL COMPOSITION OF THE STAFF IN THE INCOME-TAX DEPARTMENT,  
BIHAR AND ORISSA.**

132. (a) The required statements are laid on the table.

(b) Yes.

(c) These appointments were filled before the issue of the revised orders by Government. The percentage of Muhammadans on the ministerial staff was 18·4 and as they formed only 11·3 per cent. of the total population of the Province, they had no preferential claim to either of these two posts. They were, therefore, filled strictly in accordance with merit.

a) (i). *Statement showing the Number of Persons of Different Communities in Various Gazetted and Non-Gazetted Posts of Bihar and Orissa, Income-tax Department, as stood on the 1st April, 1931.*

	Biharee Hindus.	Domiciled Bengalees.	Muslims	Oriyas.	Europeans or Anglo- Indians.	Indian Christians.	Remarks.
Commissioner ..		1					
Assistant Com- missioners.	..	1			1		
Income-tax Officers	8	6	1	2	1	..	
Assistant Income- tax Officers.	..	2	1		..	..	
Inspector-Account- ants.	5	3	2	1			
Ministerial Officers	42	23	18	5		4	

Statement showing the Number of Persons of Different Communities in various Gazetted and Non-Gazetted Posts of Bihar and Orissa, Income-tax Department, recruited after the 1st April, 1931, up-to-date.

(a) (ii).

	Biharee Hindus.	Domiciled Bengalees.	Muslims.	Oriyas.	Christians.	Remarks.
Assistant Commissioners.	1	2(a)	..	..	..	
Income-tax Officers ..	..	..	..	..	..	
Inspector-Accountants (Permanent).	1	1(b)	2	1	1	
Inspector-Accountants (Temporary).	4	3	1	1	..	
Ministerial Officers (Permanent).			..	..	..	
Ministerial Officers (Temporary).	12	9	6	1	2	

(a) One temporary. The appointments were made by promotion of the 3 senior Income-tax Officers.

(b) Officiating.

#### OVER-REPRESENTATION OF DOMICILED BENGALIS IN THE INCOME-TAX DEPARTMENT, BIHAR AND ORISSA.

133. In the absence of any commonly accepted criterion of over-representation I am unable to answer the Honourable Member's question. I might however inform him that only 28½% of the total strength consists of domiciled Bengalis.

#### PREPONDERANCE OF ONE COMMUNITY IN THE INCOME-TAX DEPARTMENT, BIHAR AND ORISSA.

135. The answer to the first part of the question is in the affirmative. As regards the latter part, steps are being taken in the direction desired by the Honourable Member and presumably the recent orders of the Government of India published in the Gazette of India of the 7th July, 1934, will assist in this object. Out of 163 permanent and temporary appointments in the province, 71 are held by Biharee Hindus. 46 by domiciled Bengalees, 29 by Muhammadans and 17 by Oriyas and aboriginal Christians.

#### GRIEVANCES OF THE STAFF IN THE INCOME-TAX DEPARTMENT, BIHAR AND ORISSA.

139. (a), (b) and (c). I regret that I have been completely unable to trace the articles referred to and I am certainly unaware of the existence of any such discontent as the Honourable Member suggests. I may, however, say that the Commissioner is always ready to receive representations from his staff and to give them all the consideration they merit.

*Information promised in reply to starred question No. 296 asked by Mr. Sitakanta Mahapatra on the 30th July, 1934.*

**RECRUITMENT OF ORIYAS IN THE SALT DEPARTMENT.**

- (a) None.  
 (b) Does not therefore arise.

**THE INDIAN IRON AND STEEL DUTIES BILL.**

**Mr. President** (The Honourable Sir Shanmukham Chetty) : The House will now resume consideration of the following motion moved by the Honourable Sir Joseph Bhore on the 31st July 1934 :

“ That the Bill to provide for the modification and continuance of the protection afforded to the iron and steel industry in British India, and to impose an excise duty for revenue purposes upon certain steel be referred to a Select Committee consisting of Sir Abdur Rahim, Mr. H. P. Mody, Diwan Bahadur A. Ramaswami Mudaliar, Mr. B. Das, Mr. S. C. Sen, Lala Rameshwar Prasad Bagla, Mr. R. S. Sarma, Sir Hari Singh Gour, Mr. Sitakanta Mahapatra, Sir Leslie Hudson, Mr. Muhammad Yamin Khan, Mr. Muhammad Muazzam Sahib Bahadur, the Honourable Sir James Grigg, the Honourable Sir Frank Noyce and the Mover, with instructions to report on or before Monday, the 13th August, 1934, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five.”

**Diwan Bahadur A. Ramaswami Mudaliar** (Madras City : Non-Muhammadian Urban) : Mr. President, it is with a feeling of considerable embarrassment that I rise to intervene in this debate, an embarrassment which is due, not indeed to the fact that I find myself for the first time on my legs in this Assembly, but is more acutely due to a realisation of my own shortcomings and my capacity to enter into a discussion of so technical a subject as the one before the House. I wish I could have commanded the agility of mind and body which enables my Honourable friend, Mr. Mody, to lie on hard steel with as much ease as he lies on soft cotton. (Laughter.)

**The Honourable Sir Joseph Bhore** (Member for Commerce and Railways) : Is that parliamentary language, Sir ?

**Diwan Bahadur A. Ramaswami Mudaliar** : I am surprised that my Honourable friend should have misunderstood what I stated and given so unfair an interpretation to my words. I did not say that he was lying about it ; I said that he can lie on hard steel with the same facility with which he lay on, if I may say so, soft cotton. Therefore, I say that it is with considerable embarrassment that I rise to speak on this subject.

I do not wish to detain the House on a disquisition of the part that the steel industry has played in this country, on the special utility that the Jamshedpur Works have proved to be of to this country and on the many improvements that have been carried out in that great industry. It is unfortunate, but it is nevertheless true, that the fortunes of the steel industry in this country are so inextricably, so vitally, and so overwhelmingly connected with the fortunes of a single firm. That has led to a great deal of delicacy in the handling of this question during the past few years, and successive Commerce Members have acknowledged that that delicacy was inevitable in the handling of this question.

It is a delicacy which the House can easily understand, and from the prolonged laughter which resulted from a "*faux pas*" of my Honourable friend, the Deputy President, you will easily appreciate that that delicacy applies as much to those on the Treasury Benches as to those who sit on this side of the House. In fact, I do not think that even Presidents and Members of Tariff Boards, Commerce Members, Finance Members, Leaders of the Opposition, and Leaders of the Parties, or individual Members of the Assembly, have been free from that delicacy, to put it in the most parliamentary language that I can think of. But, nevertheless, the duty that one has to perform on behalf of one's constituency has to be performed, and, therefore, it is that I find myself on my legs today to speak a few words on the subject.

I do not propose, as I said, to dilate on many points regarding the steel industry at Jamshedpur. Other gentlemen have done it much more ably than I can. I shall confine myself mainly to the speech of my Honourable friend, the Finance Member, a speech on which I may congratulate him, because, bereft as it was of polished rhetoric, it still had a great amount of subtlety about it, and it is that subtlety that I propose to examine this morning. I shall confine myself to three or four aspects of this question of steel protection, first, whether the removal of the revenue duties on tested structurals and plates is justified, whether it is a proposal which the Tariff Board could have legitimately made, and, whether it is a proposal which the Government could have legitimately accepted. I shall then propose to deal with the question of galvanised sheets and the reduction of duty that has been proposed both by the Tariff Board and by the Government on galvanised sheets. I shall then, if I find time, deal with the question of the engineering firms and how they have been affected and will continue to be affected if the proposal regarding the removal of the revenue due on tested structurals is carried out and other proposals in the Bill connected with fabricated steel are accepted. And if I find time, I shall touch on the question of Mr. Dalal's concern for widows. (Laughter.)

The Honourable the Finance Member said that the removal of the revenue duty was a very simple transparent proposition, that it did not admit of any discussion at all, and that it was so simple that he was surprised that my Honourable friend, Mr. Mody, and my Honourable friend, Mr. Raju, should have raised any objection to it. He made a great point of the fact that Mr. Mody was confusing the revenue duties with protective duties. We, in this House, are accustomed to hear, with bated breath and whispering humbleness, the dictum of Finance Members. We have heard them during the last 15 years, and we have heard them without being any the wiser for them. It is not surprising, therefore, that we have this dictum from the Finance Member that Mr. Mody confounded the revenue duties with protective duties. May I add that the Finance Member has been equally guilty of confounding revenue duties with protective duties and that the whole course of his argument on the subject will show, as I propose to prove later, that he has been a victim himself to that confusion. The Honourable the Finance Member referred to the Fiscal Commission's report on that subject, a report which is admittedly an admirable one, a report on which everybody relies, both on this side of the House and on the other side. And what does the



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Fiscal Commission say on the matter? Let me quote the relevant paragraph, paragraph 94.

“ The tariff, as we envisage it, will be a combination of revenue and protective duties. The existing tariff will form the basis of the revenue duties and will become progressively modified as the duties on particular commodities are successively determined on a protectionist principles.”

That is to say, the basic revenue duty will be increased as protective measures are being adopted by the country. Then the Fiscal Commission continues :

“ Even when this process, however, is complete, there will remain a large residue of purely revenue duties, and these it should be open to Government to vary from time to time on purely revenue considerations.”

The point that my Honourable friend, the Finance Member, has to prove in this case is that from purely revenue considerations he felt bound to vary the duties that have been imposed on the tested structurals. Is it his case that from a purely revenue point of view he has felt it incumbent to come before the House and say that these revenue duties should be removed? My Honourable friend, the Finance Member, no doubt said that a case may arise when even a revenue duty may be so prohibitive that no revenue is derived on account of that duty, that it defeats its own purpose. Is my Honourable friend in a position to prove that with reference to this revenue duty it has been so prohibitive that no revenue is accruing from the imposition of this duty? The sea-borne statistics prove a complete negation of that case. They prove that under the duties as they exist now, a great amount of steel has come into this country. The amount of duty may be small. The Finance Member, now beginning his term of office, may feel that three lakhs or seven lakhs, as it is interpreted by the Tariff Board, is a flea bite. But I assure him that as months and years roll by he will find that every lakh, every single thousand rupees, is of vital importance to him. He has himself admitted in another part of his speech that the sugar duties are not likely to produce results as was anticipated and also that the match excise duty is not going to result in the manner.....

**The Honourable Sir James Grigg** (Finance Member) : I did not say anything of the sort. I simply said that nobody knows what the result of them will be.

**Diwan Bahadur A. Ramaswami Mudaliar** : Let him take it from me that the Finance Member on the last occasion anticipated a certain result and that is not going to come to him when the month of March of 1935 is going to dawn. Now, Sir, I suggest that the Fiscal Commission cannot be his authority for stating that these revenue duties can be removed. On the other hand, the Fiscal Commission completely negatives his position, and, it shows that he could only remove that duty when on account of revenue considerations he is in a position to do so. I will come later to the considerations that prevailed with this Government, as I understand it, in removing these revenue duties. There was another point with reference to the Tariff Board to which my Honourable friend adverted. It is a fact that it was a curious and novel procedure for a Tariff Board, appointed to examine the question of protection to an industry, to make a recommendation about the removal of revenue duty

which has nothing to do with the protection of the industry. My Honourable friend quoted with triumph, on more than one occasion, in the course of his speech, a reference to paragraph (c) of the terms of reference to the Indian Tariff Board and that reference relates to the Resolution that was adopted by this Assembly when the question of appointing a Tariff Board was first considered. My Honourable friend stated in the course of his speech that he was handicapped on account of the fact that he was new to parliamentary institutions and was for the first time making a debating speech. May I suggest to him that he is handicapped by more than that fact. He is certainly handicapped by the fact that, on account of the shortness of his stay so far in this country, he has not had the time to study all the past literature on the subject, to know exactly what had happened before, and, to know the relevancy of the considerations that prevailed at one time. It is only natural. Nobody can blame him for that. Let me refer now, Sir, to the actual Resolution which was adopted by this Assembly and which is adverted to in the terms of reference—paragraph (c). I will read out the relevant portion. May I suggest, Sir, that it is very difficult to read extracts in this light. May I suggest that a table lamp may perhaps be provided for the purpose, for any individual Member who may like to have it? I make this only as a suggestion.

**Mr. President** (The Honourable Sir Shanmukham Chetty) : The Chair has itself felt that the lighting arrangement of this Chamber is even more defective than at Delhi, because, if the curtains are removed, the glare becomes too great. The Chair is glad that Sir Frank Noyce is here to take note of it.

**The Honourable Sir Frank Noyce** (Member for Industries and Labour) : I shall be glad to do my best to see what can be done to improve the lighting of the Chamber.

**Diwan Bahadur A. Ramaswami Mudaliar** : The relevant paragraph in the Resolution of 1923, which was adopted by this House, was this :

“That in the application of the above principle of protection regard may be had to the financial needs of the country and to the present dependence of the Government of India on import, export and excise duties for a large part of its revenue.”

This is an unquestionable proposition, Mr. President, because the extent of protective duties may be such that the revenue may be actually wiped out. I do not quarrel with the proposition, but to find authority in that proposition for the statement that the revenue duties which are returning a certain amount of revenue to the country should be removed, because a reference was made in this manner, is, I think, wholly fallacious. My Honourable friend, the Law Member, knows that an eminent Judge in a certain case in the Madras High Court, with reference to a breach of contract case, said that the plaintiff must prove that he is *damnified*. Now, what Sir Charles Innes was trying to make out here was, that if the Government of India were *damnified* in their revenue returns, then the Tariff Board has to take into consideration the revenue position of this country in considering its proposals. If my Honourable friend goes through the speech of Sir Charles Innes, he will find that he has there explained this portion of the Resolution. And may I here state, Sir, that the amended Resolution was moved by Sir Charles Innes himself, and the phraseology was the phraseology of Sir Charles Innes. He

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will find the reason explained clearly in the terms in which I have explained it. The Fiscal Commission had made a recommendation that the export duty on hides and skins should be removed; it had made a recommendation that the excise duty on cotton should be removed; it had made a recommendation that certain bounties should be given to a particular industry. Now, the Commerce Member was faced with the position that if he simply said that he accepted the Resolution which was moved for the first time in this country in favour of protection, he would be faced with all those alternatives which the Indian Fiscal Commission had suggested. Therefore, he took the precaution to say that, if his revenue dropped, he was bound to take that into consideration before he accepted the protectionist policy. Now, my Honourable friend has come forward with a converse proposition and says that even if his revenue is good, still the Tariff Board has a right to say: "Give out a portion of the revenue not to protect an industry in India, but also to protect an industry abroad". In support of this argument, my Honourable friend has referred to the fact that, under paragraph (c) of the terms of reference, the Tariff Board had a right to go into this question. I say that it had no right, and I most emphatically deny that right. I hope it will not be made a precedent and the fact will be taken note of that the Tariff Board did not consider the question impartially and fairly on the merits of the industry concerned.

**An Honourable Member :** What about the present ?

**Diwan Bahadur A. Ramaswami Mudaliar :** As I was saying, the Indian Fiscal Commission had made recommendations which would result in the loss of revenue to Government in various ways. Referring to these recommendations, Sir Charles Innes said :

"These recommendations involve either a direct sacrifice of revenue or direct expenditure on the part of the Government if it is a question of bounties, and I think that it will be clear to everyone that in considering recommendations of this kind we must take careful note of the state of the finances."

Then, he wound up the debate with this passage which I commend to the attention of the Honourable the Finance Member :

"I do not wish to make too much of this point (*that is to say, how far revenue considerations must prevail over considerations regarding protection to an industry*). After all, one of the main advantages claimed for a policy of protection is that the industrial development will add ultimately to the wealth, and, therefore, to the taxable capacity of the people. My point is that the transitional period must be difficult and that we must always keep in view the danger of disorganising the public finance by too rapid and too violent action. So it would have been easy for me to omit all reference to the financial situation. After all, we are concerned today only with the principle of protection, and it would have been easy for me to omit all reference to the fact that the financial situation may operate as a break on the application of this policy. But, Sir, the fact stares us in the face, and would it be honest for a responsible Government and for a responsible Legislature to shut its eyes to the fact ?"

That was the consideration that moved the Honourable the Commerce Member, I take it, in making his terms of reference and to call the attention of the Tariff Board very rightly to this aspect of the question.

Now, Sir, let me take the recommendation of the Tariff Board on this subject. They say :

“ We recommend that no duties should be imposed for revenue purposes on tested structurals, tested plates and billets for re-rolling none of which require protection.”

The question is not a question whether they require protection. If they do not require protection, do not make any recommendation regarding protection. But what business have you to remove the existing revenue duty which was not a protective duty ? I shall, later on, if I have time and when I refer to the engineering firms, try to point out that even the revenue duty has got to be treated incidentally as a protective duty, and that is why we are complaining against the removal of that revenue duty, apart from the fact that the finances of this country today are less to that extent. And then the Tariff Board says that it will be a great handicap for public utility concerns. Now, the Tariff Board had a great deal of evidence before them. They considered all aspects of the question. They examined many Government witnesses also, at any rate they got written statements from them, and I think this is the most hollow of pretensions for the Tariff Board to suggest that public utility concerns will be damaged if this revenue duty remains. Now, let us examine it for a moment. Public utility concerns are either carried on largely by the Government of India or by Local Governments. So far as they are carried on by the Government of India, it does not make a penny worth of difference whether the duty is levied on it or not, so far as the incidence of that duty is concerned ; it is only an adjustment of financial resources from one pocket to another. Supposing the duty is levied on tested structurals and the Government of India undertake the construction of a bridge and have to pay a duty on those things, it merely means that the whole bridge costs so much, the amount of duty that is collected on it is transferred to the Customs Department and is collected as customs revenue by the Government. It is true that in the case of what may be called remunerative enterprises the amount of incidence of that duty may have an effect in postponing the inauguration of a remunerative project, but even so, so far as taking off the duty on the Government of India is concerned, there is no difference whether the tariff duty is levied or not. So far as the Provincial Governments are concerned,—and the Tariff Board talks so much of public utility concerns—is it in a position to suggest that any Provincial Government can undertake large public utility concerns ? And this Government of India which clutches at this recommendation on such fallacious grounds, is it in a position in the near future to lay down a plan of public utility concerns which it can undertake ? My Honourable friend, Mr. James, the other day in a very excellent speech regarding the subject invited the Government of India to undertake large public utility concerns and to initiate a loan policy, so that the present economic depression in the country may be lifted. There was no response, sympathetic or otherwise, from the Government Benches, and why try to put this forward as a reason when we know perfectly well that the position of most Local Governments is so shaky that they cannot possibly undertake public utility concerns on any large scale whatsoever ? As I said I shall leave the question there, so that I may come at a later stage of my argument back to it when I deal with the question of engineering firms.

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I now come to what I call the most extraordinary, the most novel and the most surprising of all proposals of the Tariff Board, and may I add, if I may say so, the most improper of the proposals which the Government of India have accepted. I come to the proposal relating to galvanized sheets. The Honourable the Finance Member has laid stress on that aspect of the case. He has said and quite rightly and quite honestly, if I may be permitted to say so, that the proposal of the Tariff Board relating to galvanized sheets is one of the most vital and one of the most important proposals of the Tariff Board. I accept that statement ; it is so, but from a quite different point of view from that from which the Honourable the Finance Member thought it was important. It is important as showing the complete lack of judicial impartiality with which the Tariff Board has examined this question. (*Mr. B. Das* : "Hear hear.") What is the case about these galvanized sheets ? You, Sir, were at one stage very intimately connected with the consideration of the question. There was a duty on galvanized sheets according to the recommendations of the Tariff Board of 1927, accepted by the Government, of Rs. 37 per ton whether the galvanized sheets came from Great Britain or from foreign countries. The galvanized sheets industry felt that, owing to the drop in prices, the protection given to it was not sufficient, and, in the year 1930, they applied to the Government of India for examination of the whole question by another Tariff Board, if necessary, so that the protection might be increased to what might be necessary for them to obtain a fair selling price. The Government of India thought there was a *prima facie* case made by the galvanized sheets industry in this country and they appointed a Tariff Board who examined the whole question. The President of the present Tariff Board, Dr. John Mathai, is a personal friend of mine, and I have the highest regard for him. He happened to be a Member of that Tariff Board also, and the terms of reference—and I would invite the attention of the Honourable the Finance Member to the terms of reference—the terms of reference which the Government of India then issued were to report "whether galvanized sheets of British manufacture"—not foreign—"are being imported into British India at such a price as is likely to render ineffective the protection intended to be given". The Tariff Board went into the whole question and suggested an increase of another Rs. 37 per ton on these galvanized sheets, so that the import duty then came to Rs. 67. I hope the House is not wearied (*Voices* : "Go on, go on"), but I find it necessary, to develop my argument, that I should be able to give the whole history of this case, both for the benefit of the House, and, if I am not impertinent, for the benefit of the Honourable the Finance Member.

Now, when this duty of Rs. 67 was passed by this House, it continued for some time in operation. Then came the brilliant idea of another Finance Member of the Government of India, Sir George Schuster, and I do not apologize for making a reference to it, because, during his presence in the Treasury Benches here, I did make a reference to that aspect of the case. In September, 1931, he levied a surcharge on all customs duties of 25 per cent. The then Finance Member took pride in the fact that these customs duties and the surcharges were so scientifically examined and so precisely arranged that nobody on this side of the House could find a flaw in them and he threw out the challenge—and my Honourable friend can refer to that speech—to any Member inside this House or outside to show in what respect and in what manner the customs duty could be varied and whether the law of diminishing returns had begun to operate

with reference to such duties. In connection with the sugar excise duty, it was my painful privilege to point out to the then Finance Member that here at least was a case of surcharge put on without thought, without foresight and without any idea of its effect on the revenue derived and that it does not require even the precocious lad of Macaulay to find out that a surcharge on what are called protective duties for revenue purposes is an absurdity; and yet it did not strike the then Finance Member and the Finance Department and the surcharge was levied as much on protective duties as on purely revenue duties. The first case, therefore, was the impropriety of the surcharge on sugar for which we had to levy a countervailing excise duty, and which I still consider is one of the most objectionable of duties. The second case we now come to is the surcharge on all these protective duties, and that raised the duty on these galvanized sheets from Rs. 67 to somewhere like Rs. 83½. When the matter was in that stage, you, Sir, went as one of the members of the Ottawa Committee. At the Ottawa Committee, the case of galvanized sheets loomed large. It was one of the most vital things that the British Delegation had to deal with, and you will realize—and you would have told us so if you were on these Benches—with what anxiety they were concerned over a satisfactory settlement of this question of a duty on galvanized sheets. You had a great deal of negotiation on the subject, I do not know, but I am fairly certain that the highest politicians and statesmen of Great Britain were anxious to come to a settlement with you and your colleagues on that subject, and ultimately you came to a settlement on the subject. What was the settlement? Let me read a few sentences from the Report of the Ottawa Committee:

“The importance of the trade in galvanized sheet to the British Iron and Steel Industry may be gauged from the fact that in 1927-28 the value of galvanized sheet accounted for half the value of the total imports of British steel into India, and even in 1931-32 it was still 30 per cent. of the value, but between these two years the value of the imports of British galvanized sheet had fallen from Rs. 7.2 crores to Rs. 1.03 crores. It will be evident from these figures how gravely the new competition from Belgium had affected the British industry, more especially because it became intense at a time when demand was declining and prices were falling. Here, if anywhere, measures calculated to bring relief—provided always they were consistent with the interests of India—were most likely to be of value. But conversely, of all the rolled steel products on which protective duties have been imposed, galvanized sheet is the one where it is easiest to make concessions without detriment to the interests of the Indian industry”—

and you recommended that if galvanized sheets are rolled out of Indian bar, a duty of Rs. 30 a ton may be levied. If they are not rolled out of Indian bar, but if they are rolled out of English bar, then a duty of Rs. 53 may be recommended, and that, if they came from continental places, a duty of 83 may be recommended, and you advised the Government of India and the Legislature to accept your recommendations:

“If the special arrangements connected with the duties on galvanized sheet were to be acceptable to India, it was indispensable that they should furnish reasonable security that any increase in the sale of British galvanized sheet in India should be accompanied by an equivalent increase in the sales of Indian sheet bar in the United Kingdom.”

Now, the concrete fact and a vital factor in the whole of the arrangement was that Indian sheet bar should, to that extent, be imported to England and come back again as galvanized sheet in this country. I ask

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the Honourable the Finance Member to remember it, because I know that the very respected Tariff Board has not remembered that fact :

“ If the duties were so adjusted that the British manufacturer had no inducement to use Indian sheet bar when making sheet for the Indian market, it would fail to achieve one of its primary objects, namely, the securing of a fresh outlet for Indian steel.”

You repeat over and over again, you emphasize the fact that the crux of the whole Agreement is the fact that Indian bar is being imported into England and comes back again as galvanized sheet :

“ It was impossible to obtain the necessary assurances on this point at Ottawa and it was on this account that the final settlement had to be postponed until further discussions had taken place in London.”

And, as you are aware, a final settlement was arrived at in England by an exchange of letters between Sir George Rainy and Sir Horace Wilson :

“ As a result of these discussions we have received assurances that the representatives of both industries are satisfied that, with a difference of Rs. 23 a ton between the duty on sheet made in the United Kingdom from Indian sheet bar and sheet made from other bar, it will be possible to do business at prices satisfactory to both industries, so that the extended use of Indian sheet bar is assured.”

Again, you emphasize that fact :

“ That being so, we are satisfied that the scheme is one which we can recommend for adoption by the Indian Government and Legislature.”

You recommend that this scheme should be in force till 1934, when the whole question will come under review by the Indian Tariff Board and when necessary arrangements can be made according to the recommendations of the Indian Tariff Board. Now, let us look at the Tariff Board report and its recommendations. This is what the Indian Tariff Board say on the subject :

“ In the case of galvanized sheets, however, we have estimated the duties on a different basis. Since November, 1932, the price of galvanized sheets has been fixed at an artificial level under the Ottawa Agreement. No direct information is therefore available regarding the level of market prices under ordinary competitive conditions and our estimate of market prices has in consequence to be based on somewhat arbitrary considerations.”

I will refer to that later. They continue :

“ The advantages offered to India in return for the preferential duties on galvanized sheets under the Ottawa Agreement were first the exemption from import duty and facilities for the sale of a specified quantity of pig iron in the United Kingdom and, secondly, the provision of a definite market in the United Kingdom for Indian sheet bar.”

Now, let us take the second condition first. I will come to the first condition later :

“ The latter is now of much less importance to India than at the time of the Ottawa Agreement because of the increased capacity for the manufacture of sheets in India and the possibility of a larger demand for billets from re-rolling mills in India.”

Therefore, one of the important considerations in coming to this extraordinary agreement at Ottawa, namely, that Indian sheet bars will be used for making galvanized sheets in England falls to the ground, as, according to the Tariff Board inquiries, India is not in a position now to export her bars to England and have them manufactured as galvanized

sheets. The internal consumption has grown, and it is a matter for congratulation that it has grown, and India is not in a position to send these things abroad. Now comes the second condition they are speaking of—about this pig iron. I wish my Honourable friend, the Commerce Member, had considered more carefully the advantages which would result from a continuance of this agreement, when he, amid the acclamation and cheers of this House, announced the grand fact that the continuance of the agreement of free entry of pig-iron into England had been secured by the Government of India. I do not congratulate the Government of India on this action, when one considers the advantages which this country will have to suffer by lowering the protective duties on galvanized sheets. What is this pig iron, and how much of it is exported to the United Kingdom? What is the profit which the Indian merchant gets out of this pig iron? My Honourable friend, Mr. Sitaramaraju, has already given figures to show that the sale of pig iron to foreign countries is far in excess of the sale to the United Kingdom. It was about 93,000 tons last year. The previous year it was about 75,000 tons, and the year before it was 69,000 tons. One has to draw the balance sheet to know what the profit on pig iron per ton is. At the most, it is one rupee per ton, so that the grand profit which the merchants of this country make by sending 90,000 tons to the United Kingdom is Rs. 90,000 per annum, and the Assembly cheered my Honourable friend when he made this announcement. I beg of him to discard that agreement. I beg of him to say to the United Kingdom: Thanks to you. Our merchants will find markets for pig iron elsewhere, and we are ready to allow pig iron to be exported to the United Kingdom on the same conditions on which you are prepared to allow any other produce from any of the other dominions, and, therefore, the main consideration which weighed with you, when you entered into this arrangement about the entry of pig iron into the United Kingdom, is of very little concern to the industry. The profit is one rupee per ton and no more. What is the advantage that we get by an agreement on this subject?

**Mr. F. E. James** (Madras : European) : Perhaps the Honourable Member would be good enough to give the House the source of his information.

**Diwan Bahadur A. Ramaswami Mudaliar** : I have been assured by a good many men, who are in the best position to know about the Steel Works at Jamshedpur and who have come to an agreement with the Bengal Iron Works with reference to the import of pig iron into the United Kingdom and to Japan and other places—the beneficiaries under the scheme that the direct profit will be seven rupees per ton and the direct and indirect profits combined is no more than one rupee per ton and that they for their part are willing to forego the advantage of this benefit in the United Kingdom for their pig iron. Now, Sir, as I said, these are the trifling, trivial, almost negligible advantages that we derive, but look at the balance sheet on the other side. My Honourable friend may put it at five rupees a ton if he likes. I have no objection, but he dare not and cannot possibly suggest that anything further can be got out of it. Now, look at the advantages on the other side. I was reading the report of the Tariff Board, and I stopped at the point of the actual cost of production in Great Britain.

The Tariff Board report says :

“ No direct information is therefore available regarding the level of market prices under ordinary competitive conditions and our estimate of market prices has in



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consequence to be based on somewhat arbitrary considerations. Two alternative methods have been open to us first, to take the average price in the earlier half of 1932 and adjust it for the variation in the price of spelter since that period and secondly, to proceed on the basis of calculation adopted by the Ottawa delegation, namely, to take the United Kingdom price at the lowest figure which the delegation considered would give a reasonable return to the British manufacturer and to take the Continental price at the lowest figure actually reached in recent importations. Under ordinary conditions we should be inclined to adopt the first method in estimating the measure of protection."

That is to say, take the imported price of 1932 which was the actual price and make allowance for the increase of price in spelter, but they have dropped that, though it was their legitimate duty. That was how they could have calculated the real price, but they have dropped it. The Tariff Board further says :

"The United Kingdom prices in that case would be almost the same as Continental prices and there would be no scope for differential duties."

I ask the Honourable the Commerce Member and the Honourable the Finance Member to make a note of that statement. If they had calculated on the basis of the actual price in 1932 before the Ottawa Agreement was entered into and had made allowance for the increase in the spelter price, then the prices of the United Kingdom galvanized sheets would be almost the same as the prices of Continental sheets. That has a very great reference to the actual cost which they have adopted in an earlier part of their report.

If my Honourable friend will turn to Table XXIII on page 54 of the Report, he will find that galvanized sheet is stated to cost the United Kingdom Rs. 160 and Continental Rs. 130 and the fair selling price for Indian sheets is Rs. 170. Therefore, so far as the United Kingdom is concerned, the duty is put at Rs. 10, whereas, in the case of Continental, it is put at Rs. 40. But if this premise is wrong, then the United Kingdom price is only Rs. 130. Sir, I heard, in the course of the speech of the Honourable the Finance Member, at any rate I got the impression that the Honourable the Finance Member and the Honourable the Commerce Member have entered into a deed of partnership, this firm of Shortt and Codlin is going to be responsible for this Bill. The Honourable the Finance Member turns to the Honourable the Commerce Member and says if there is any miscalculation in price, the Commerce Member will reply and the Honourable the Commerce Member turns round to the Honourable the Finance Member with equal courtesy and says if there is any question of revenue, the Honourable the Finance Member will reply. But both Shortt and Codlin mean the same thing, so far as I am concerned. Whoever is responsible for this, I ask if the price of Continental steel is the same as of British steel. If so, it means that the British steel is valued at Rs. 130 per ton, and, therefore, the fair selling price being Rs. 170, the duty must be exactly the same on British galvanised sheet as on Continental. That is to say, the duty must be Rs. 40. Now, it is because of this agreement that you have reached, this Trade Agreement is going to be of so much benefit to this country, the sale of pig iron is going to make India so much richer, that you artificially inflate the price of British galvanized sheets and you bring it up to the level of Rs. 160 which was fixed at Ottawa for this purpose, and you say that the protective duty should be Rs. 10. That is to say, you give a bounty of Rs. 30 per ton to the United Kingdom manufacturer of galvanized sheets, a bounty

which he does not require, if only the real cost price is taken into consideration. I would have no objection even to that bounty if it can be given with undue cost. But the bounty is given, at what cost? It causes you a loss of 20 lakhs on this bounty which you give to the United Kingdom producers of galvanized sheets, and, therefore, you are driven to the necessity of levying an excise duty on the steel ingots that are manufactured in this country. (Hear, hear.) Is that what is called fairness? You come forward and say, this is a protective Bill to protect the Indian industry. No, Sir. Let us be fair. Let us try to place the facts as fully as possible before the public and come forward with an honest proposition that for certain reasons we must make this concession to the British industry. This National Federation is so powerful and it plays such an important part that my Honourable friend hinted at the possibility of political calamities overtaking this country. Let us put all that in the balance if you like, but do not say that we are having a protective measure, because this is not a protective measure. England does not really require that. You are giving her a bounty of Rs. 30. The proper price of galvanized sheets is Rs. 130, and, therefore, the duty of Rs. 40 will not hit that industry.

My Honourable friend said that the United Kingdom industry should not be penalised. Sir, my record in this Assembly has been such that I can say with legitimate satisfaction, at any rate with perfect honesty, that I never have been a party to penalising the British or any other industry without any benefit to India. I said so on the last occasion in connection with the Textile Bill, I repeat it again. I look at it from the point of view of the Indian industry. If, against the United Kingdom, only ten per cent. is required to protect the Indian industry, and if, against the Continental goods, 30 per cent. is required to protect the Indian industry, I am willing to accept ten per cent. and 30 per cent., not because it is Imperial Preference or anything like that, but because the Indian industry requires that much and no more. I am not willing to increase the duty on United Kingdom goods to 30 per cent., merely because it gives a theoretical satisfaction to my heart. I have quoted the duty on British and Continental goods and somehow or other this amounts to Imperial Preference. This sort of hitting against the United Kingdom unnecessarily, I will not be a party to. That was the position I took up on the last occasion in connection with the Textile Bill. That is the position which, I repeat, I am prepared to take up in connection with this Bill. What is the position with reference to galvanized sheets? You have given, as I said, a bounty to the United Kingdom, and that bounty has been paid out of the cost of the indigenous industry which is mulcted by way of an excise duty. The Honourable the Finance Member quite rightly said "We cannot afford to miss this amount of revenue, we must find ways and means by which we can make good that revenue, and that is why I have come forward with a proposal, which I do not like, namely, the proposal for an excise duty". But why lose the revenue at all? Why is this selling price of Rs. 160 fixed for British goods, whereas it is Rs. 130 in the case of Continental goods? Why not levy the same duty on both goods and get your revenue? It is not as if these goods have been shut off. It is not as if they cannot come to this country. Here I must say very respectfully that according to the showing of the Tariff Board, it has certainly gone beyond the terms of reference, beyond its legitimate duty in making this recommendation.

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Now, Sir, I come to another interesting fact which the Tariff Board has unearthed. In calculating the loss of revenue, the Tariff Board points out that 75 per cent. of the loss is due to galvanized sheets. The percentage is correct, though perhaps actually the total amount of loss estimated by the Tariff Board was not correct. It gives a curious reason why this loss of revenue should be sustained. I want to canvass that curious reason again, especially because it has been adopted by the Government of India. They say in the Report :

“ We have provided that *ad valorem* revenue duties in almost every instance shall be alternative to the specific duties and since the revenue derived from *ad valorem* duties must vary with the prices of imports it is likely that if the present upward trend of steel prices continues, the loss in revenue per unit of product will be less than we have estimated. Whatever forecast may be finally arrived at, it is clear that the greater part of the probable loss in revenue will be due to the proposed reduction in the duty on galvanized sheets. We have already laid stress on the benefit of this proposal to the agricultural community.”

Now, Sir, let me pause. The Honourable the Finance Member took the cue from the Tariff Board. My Honourable friend, Captain Lal Chand, of course an out and out enthusiastic advocate of the agriculturists, said that it was a great thing that the agricultural industry was being thus promoted. My Honourable friend, the Finance Member, said, here is a thing which is of direct benefit to the agricultural industry, and, therefore, that is another reason why the duty on galvanized sheets should be reduced. “ When the poor have cried, Caesar hath wept ”. What is your record about the agricultural people ? What is the record of the Government of India with reference to the agricultural people ? If you had possessed even an iota of that sympathy which some of us at least on this side of the House, like my friend, Raja Bahadur Krishnamachariar, possess, you would not have ventured to make this recommendation. Let me remind you of what this very Tariff Board said on a previous occasion with reference to these agriculturists and the possibility of their being benefited by a lower price for galvanized sheets ; and Dr. Mathai was a party to this recommendation. Again, I suggest that if the Honourable the Finance Member had taken care to read the earlier reports, he would not have landed himself in the position in which he finds himself today. There they were increasing the price of galvanized sheets from Rs. 30 to Rs. 67, directly hitting the agriculturists. The sum and substance of what they say is that it will not affect the agriculturists at all. The price still is the same as what it was in 1908 and 1912. Even with the addition of a 67 per cent. duty, the price of galvanized sheets remains the same as in 1912. And comparing the purchasing power of the country now with the purchasing power of the country then, it will not make any difference to the agriculturists at all if this duty of 67 per cent. is laid on galvanized sheets. My Honourable friend turns now and says : “ Any duty in excess of ten per cent. is such an overwhelming burden on the poor agriculturists, for whom my heart goes out, that I dare not be a party, and why should I reject the recommendation of the Tariff Board, specially if it is made in the interest of the agriculturists ? My Honourable friend, Captain Lal Chand, is bound to get up and support me, because he and I are common champions of the agriculturists.” Nothing of the sort. We know what the agriculturists have been suffering from, and let me read this paragraph. They point out that the two sets of agriculturists, who will use these galvanized sheets for agricultural implements, are the jute

growers and the paddy growers. With reference to the jute growers, I shall leave the question to any Member coming from Bengal who knows the position of the jute cultivators and who will be in a position to state it. With reference to the paddy growers, this is what the Tariff Board says :

“ We have carefully considered the trade returns with a view to ascertain to what extent the demand for galvanised sheet is influenced by prices. It is quite clear that the demand is a fluctuating one and depends not so much on price as on industrial development, railway expansion, and the outturn and price of certain crops, particularly jute and rice, the prevailing crops in those districts in which galvanised sheet is mainly used. The demand for galvanised sheet can frequently be postponed and when depression exists in certain trades the demand falls off. Similarly the cultivator replenishes his requirements of galvanised sheet in those years in which his crops are good and prices satisfactory ; ”

—Mark these words, Sir,—

“ in years of bad crops he makes no purchase however favourable the price. The demand is not constant and the price of galvanised sheet does not form the most important factor in determining the demand even of the agriculturist. We believe therefore that the increase which we propose will cause no serious hardship. ”

I prefer to follow the John Mathai of 1930 to the John Mathai of 1934, and that without making any sort of personal aspersions against Dr. John Mathai. I invite my Honourable friend to do likewise. He will find himself on safer ground if he does that. What is his record, what is the record of the Government of India, with reference to these paddy growers ? I do not want to go beyond the scope of my subject, but we know that the prices have fallen and have fallen ruinously. We have been agitating month after month and week after week, cabling, telegraphing, writing, submitting memoranda, waiting on deputations, and so on ; and this Government, which is absolutely hide-bound, which refuses to move, which will not take note of these things, has for the last eight months turned down every one of our requests. We wanted the importation of rice from Siam to be stopped. Nothing of the kind happened. We wanted a duty on those imports ; nothing of the kind was undertaken. And tons and tons are being unloaded, and every day we are being pestered with telegrams and letters and representations from paddy growers, and this Government refuses to move in the matter. How can I take as an honest statement of fact what the Finance Member says, with this black record which he, along with the other Members of Government, have got, with reference to the paddy growers, that his heart goes out to the agriculturists, and it is only because the agriculturist wants his implements that galvanised sheets should have this duty reduced. In the “ Vicar of Wakefield ” there is a character who used to utter a particular word as he was listening to the others from time to time, and if you will permit it, Sir, and if Parliamentary decorum will permit it, I would like to use it, but I am very doubtful whether you will permit it. That is not the way in which we can be convinced of the fairness of your proposals. Agriculturists indeed ! This Government, with its record about paddy growers, with its carelessness about paddy growers time after time, talks of the agriculturists ! And even now tons and tons are being dumped into my Presidency, and it has come to 80,000 tons now. The Secretary to the Department of Education, Health and Lands sits there impassive like the Delphic Oracle, not making any statement or making such dubious statements that they can be interpreted in any way. He gave us hopes, incalculable hopes, and we are now in August, and those hopes have not materialised. And this is the Government which asks me

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to enthuse over the statement that agriculturists are being cared for and cared for most conspicuously by the drop in the rates of protective duty on galvanised sheets. But if you are so serious about conditions of agriculturists, may I ask you another question? In the first place, it would not increase the price by a pie if a duty of 40 per cent., instead of 10, is levied, because the Continental price and our unfair selling price will control prices. Secondly, obviously even according to these prices, which the Tariff Board has accepted, there is a difference of Rs. 30 between Continental and British goods. Then, why do you not have the same protective duty or the same duty on Continental goods, and let the thing freely into this country, so that the agriculturists may be satisfied and, at least one section, the consumers, may be benefited, never mind what its effect on protection may be? And that was exactly what my Honourable friend, Mr. Raju, referred to in his speech the other day, a reference which I venture to think the Honourable the Finance Member completely misunderstood. The Finance Member said that Mr. Raju invited this House to throw out the Bill. Nothing of the kind. He said, if you are really very keen on the consumer, if you want the consumer alone to be thought of and nobody else, then throw out this whole measure. Let us have at least one satisfaction that we have done well by the consumer, irrespective of the fate what this key industry, this basic industry, this military industry, comes to. My Honourable friend thought that that was not his statement, but that he invited us all to throw out this Bill without caring for the consequence. I can assure the Honourable the Finance Member that even we on this side of the House, with the little material that we have at our disposal, with no notes, no Secretaries, and no whispers from departmental officials, can use a little of our own intelligence to understand what is good for the country and what is not good for the country. And believe me, we have come to the conclusion that, so far as these galvanised sheets are concerned, to whomsoever it may be a beneficent thing, it is not a beneficent thing for the agriculturists and for the industrialists of this country; it is not a beneficent thing for the Government of India as it is constituted even at present.

Sir, I said that I would refer to the position of the engineering firms and try to prove that the removal of the revenue duty  
 12 NOON. and the reduction of duty on fabricated steel are both calculated to hit them very hard. And I want to establish the position that engineering firms in this country are bound to suffer a good deal because of these two aspects of the question. I said it was not merely a question of revenue being lost to Government, but the removal of that duty on tested structurals in conjunction with the other proposal with reference to fabricated steel is bound to hamper the growth of the engineering industry in this country. Nay, more; it is bound to make it absolutely impossible for them to keep up even their present position. And here let me say quite candidly what are the engineering firms that I am referring to. I have not come forward merely to advocate the cause of Indian firms in this country. Whether it is Indian or English, if it is established in this country, if its outlook is confined within the geographical boundaries of India, I am prepared to give it assistance. That was the position which we came to at the Round Table Conference. I am prepared to abide by that position, and now I am advocating the cause of firms like Braithwaite & Co., Jessop & Co.,—both English firms established in this

country, trying to do business in engineering, and which, along with Indian firms, will be hampered if this duty is removed. They have made plaintive representations to the Tariff Board. It was my painful duty last night, and that was the only time when I could get these reports, to go till late at night into the representations they have made. I invite the Honourable the Finance Member, whose heart is so sympathetic, to go through some of these representations, and I invite him to go also through the representation of the National Federation of Steel Industry of Great Britain. He will find that these industries will be thoroughly handicapped if this duty is removed. They refer to the organisation that has been established in England, to the rationalisation that has taken place in England, and I now understand what Mr. James meant by rationalisation, because from these papers I realise what sort of rationalisation they refer to—combines, trusts, getting together all the weaker and stronger companies to come to some agreement as regards the sale price for export purposes and as regards the sale prices in England, dumping goods into this country and trying to get from the home consumer the actual cost of that dumping into this country. This is the sort of cartel that they are trying to establish, and establish with the active connivance, nay, on the recommendation and the exhortation of the Chancellor of the English Exchequer, Mr. Neville Chamberlain. Now, it is against these combinations, these trusts, these cartels that the engineering companies in this country are complaining. They point out instance after instance where by a system of grant of rebates all possibility of competitive prices has been cut out even under the existing protective duties and revenue duties. They refer to the case of the Nerbudda bridge : they show how handicapped they were because of the system of rebates that had been granted : they refer with hesitation, with fear, with growing anxiety to the possibilities of what might occur with reference to the Howrah Bridge : they want some assurance that a structure of that kind involving the consumption of steel to the extent of 60,000 tons according to them, and 25,000 tons according to the Tariff Board Report, an undertaking which comes, as they say, almost once in a lifetime, may not go out of their hands, and they plead and plead earnestly that the tender might be retained in the country ; they quote chapter and verse for saying that the same motto that animates the National Federation animates them, keeping the home consumption to yourself, keeping the home markets to yourself. My Honourable friend, the Finance Member, has been for three years there in the latter part of his period in England : he knows what it means to have the slogan " Buy British " : he has read, I believe, the Rothermere and the Beaverbrook press : he has read the placards that have been posted all over London and the bigger cities in the Provinces advocating the consumption of British goods and the use of British goods. What is our position here ?

**The Honourable Sir James Grigg :** British in that connection means Empire goods, including India.

**Diwan Bahadur A. Ramaswami Mudaliar :** But home does not mean Empire, at any rate.

**The Honourable Sir James Grigg :** We are talking about the word " British ".

**Mr. B. Sitaramaraju (Ganjam cum Vizagapatam : Non-Muhammadan Rural) :** Is not Empire British ?

**Diwan Bahadur A. Ramaswami Mudaliar :** He must have seen home products being encouraged, appeals to home industries being encouraged and to home concerns being allowed to thrive. They refer to the fact that electric towers for transmitting electricity could be manufactured in this country cheap and that encouragement should be given to that industry. They refer to the fact with regret that in my own Province in connection with the extension of the electric line to Cochin and Ernakulam from the Pykara Hydro-Electric works—the contract for these towers has gone to foreigners—foreigners in their language meaning Britishers : of course they are foreigners, and I am glad Jessops use that word, that Braithwaites use that word : that is the spirit which we want Englishmen in this country to adopt ; make this your home and see to it that the fortunes you are trying to get here are Indian fortunes and do not have a soft corner always across the seas, so that we can never see eye to eye with you : they refer to the fact that there is a danger which has come within the last few years, a danger which is of the highest concern to these engineering firms, against which they pray piteously to the Tariff Board, to the Government of India, to Sir Joseph Bore, the Commerce Member, that they may be saved from. In my younger days, when I was, I believe, much nearer heaven than I am today.....

**The Honourable Sir Nripendra Sircar (Law Member) :** It is just the other way ?

**Diwan Bahadur A. Ramaswami Mudaliar :** I am certain of another place—I used to look at the ceiling and think it was heaven itself ; and when I was in a position to spell a few words, the first thing that I read looking at the ceiling and at the girders, there was Dorman Long and Company in big letters. And what is the position of Messrs. Dorman Long and Company ? It is an integrated concern to use the very technical language of these iron and steel manufacturers—and they take pride in clouding the issues by these technical words : an integrated firm, if I may understand it in my own mathematical way, is the opposite of a disintegrated firm : a firm which produces everything, that is to say, from the steel ingot right down to bolts, nuts, screws and anything possible : that is what is called an integrated firm : the integration is complete : the last stage is reached by that firm. It is the only British firm of that character, the only integrated firm. Dorman Long and Company have established a branch in Calcutta, and, of course, you may realise that if these revenue duties are removed or if lower protective duties are levied, how handicapped the other engineering firms will be as against Messrs. Dorman Long and Company. Read their memorandum addressed to the Secretary of the Tariff Board and to the Commerce Member, and note their plaintive cries. I do not know whether it was my friend, Mr. Sitaramaraj, who referred in the course of his speech to an undertaking given by Mr. Elliott on behalf of the National Federation of Steel, an undertaking which the Tariff Board has reproduced with great gusto and which they think meets the situation of the case.....

**Mr. F. E. James :** No.

**Diwan Bahadur A. Ramaswami Mudaliar :** It does not meet the case—that is exactly my point : I am going to prove that that undertaking has not been considered worth the paper on which it has been written by Messrs. Braithwaite, Messrs. Jessop and other engineering firms.

**Mr. F. E. James :** The Tariff Board have said so.

**Diwan Bahadur A. Ramaswami Mudaliar :** They complain of the system of rebates and refunds which was being given to these exporters by the combination in Great Britain and Mr. Elliott admitting after the event, as he was bound to admit, that in the case of the Nerbudda Bridge things had gone a little astray and perhaps a little unfairly as against the Indian consumer—and here I am glad to have the admission that even British firms can be unfair occasionally when it touches their pocket—he says that in future he will try to see that that sort of thing does not occur, and he gives an undertaking on behalf of the industry in the United Kingdom that no refunds will be granted for fabricated steel work exported to India beyond what is necessary to bridge the gap between the home prices current at the time and the established export price for plain materials for India. No doubt the Tariff Board begins by saying that this hardly meets the case, but what is their conclusion? They say :

“ If as a result of further steps in that direction it is found that the grounds which now exist for apprehending unfair competition from the United Kingdom have disappeared, it will be open to Government to reduce the duty to the revenue level.”

Now, I would like to read only a short extract from the submission which Messrs. Braithwaite and Company have made with reference to this undertaking. It explains the position in which the Indian engineering industry finds itself as against the organised British industry. They say :

“ This powerful national effort to recapture lost markets is in process of development (in Great Britain) and its full effects have not yet been felt in this country. Some industrial units, however, who on their own initiative anticipated these developments have already given us a foretaste of what is in store for us and it is these recent examples that we propose to analyse as a guide to the future.”

Then they say :

“ This new form of attack has developed on two parallel lines—

- (a) extremely low tenders in rupees for sale in India of steel work fabricated out of India entirely from foreign steel;
- (b) extremely low tenders in rupees for sale in India of steel work fabricated in India by foreign firms entirely from foreign steel of their own rolling.”

And they wind up by saying :

“ By these means the whole Indian fabricating trade has been disorganized and in spite of the present scale of protection the Tata Iron and Steel Company has been unable to realise the full prices that the tariff is intended to obtain for them. The fabricators have been put in the unbearable position of having either to quote heavily below cost or see the foreigner skim the cream of India's requirements. Unless remedied without delay the persistent depletion of the industry's liquid resources will, before long, be making it impossible to finance its trading activities even if prices rise again to an economic level. For every day that passes the industry is being damaged. Long trained and experienced labour is being dispersed, selected and skilled supervisors are losing their employment, plant is wearing away without earning the money required for its maintenance and renewal and valuable buildings are depreciating as there are no funds to repair them. Time, in this matter, is ‘ of the essence of the contract ’.”

Then, Sir, with reference to the invitation that was extended to Messrs. Dorman Long and Co. to come to terms with these firms, they have their own reply to give :

“ It follows clearly that so long as the Federation ”—



[Diwan Bahadur A. Ramaswami Mudaliar.]

--That is the National Federation of England--

"cannot in fact prevent its integrated members from transferring to their fabricating shops plain materials at prices below the controlled prices, its conditional undertaking to limit the export refund arrangements so as not to exceed the gap between the 'Home' and 'Export' controlled prices is a concession which has no value to the Indian fabricators except in so far as it limits the competition of non-integrated British fabricators."

That is to say, this concession is of no value so far as Messrs. Dorman Long and Co. is concerned, which is an integrated firm, and which has established its branch in Calcutta :

"The Federation realises this position only too well, since it finds it necessary to invite the Indian fabricators to respond to advances to be made by Messrs. Dorman Long & Co., who are stated to have the intention to approach the Indian fabricators regarding the Howrah Bridge and the future generally, and makes the suggestion that a proprietary brand of high tensile steel may be specified by the consulting engineers for use in the Howrah Bridge."

"As regards the suggestion of Messrs. Dorman Long & Co., contained in their memorandum that the Board should instruct us,"

--This is what they say--

"Regarding the objects of protection, may we point out that we cannot find that any member of the Indian fabricating industry has asked for more than an assured home market for the industry's output."

The reference is to a memorandum which Messrs. Dorman Long and Co. sent to the Tariff Board. While these engineering firms were crying out for bread, when their contractors were being deprived of their contracts on account of rebates and so forth, Messrs. Dorman Long and Co. had sent a memorandum ridiculing the local firms. This is what they actually say :

"The Board should instruct us regarding the objects of protection and that we cannot find that any member of the Indian fabricating industry has asked for more than an assured market for the industry's output. We note with great interest"--

And this is what I was referring to :

"that on the same page, the memorandum refers with justifiable complacency to the embarkation by Great Britain on a policy of protection as a result of which the Home market is assured."

Now, Sir, we want our home markets to be assured to our industry. It does not matter whether Indian firms are carrying on the business or European firms established in this country, and I venture to suggest that the removal of the revenue duty together with the inadequate duties on fabricated steel is going to hit engineering firms terribly, and, therefore, as a corollary, hit the steel producing industries like the Tata Iron and Steel Company or other concerns like them.

I am afraid, Sir, I have taken more time than I had intended to do, and there are various other matters to which one can legitimately refer to, but I shall not weary the House any more. I do not think I should dilate on the question of tested and untested steel from Great Britain,—my friend, Mr. Mody, has already referred to it, and I hope that in the Select Committee we shall be able to go carefully into this question.

Now, Sir, there is only one other point that I should like to refer to, and unfortunately it happens to be again a point which arises out of

the speech of my Honourable friend, the Finance Member. The Honourable the Finance Member read the other day two extracts relating to the prospects of the Tata Steel industry. One said, let me make an accurate quotation, so that I may not be charged with misrepresentation,—the one quotation ran as follows :

“ The Tariff Board Report has by now been digested, and the bulls and the bears are still undecided as to the ultimate advantages or disadvantages of the recommendations.”

That was one extract.....

**The Honourable Sir James Grigg** : Read the next sentence please, and complete the extract.

**Diwan Bahadur A. Ramaswami Mudaliar** : Most certainly :

“ However it would appear that the industry will get adequate protection, which can only be viewed in the light of a bull point for steel shares.”

I am glad my Honourable friend has drawn attention to it.

Then comes the extract from the *Capital*, that great paper which claims to write about commercial and industrial matters, and which certainly claims to be an expert on matters relating to the share market. This is what it says :

“ The present attitude of too large a section of the Indian Press on the suggested preference for the United Kingdom steel manufacture provides a case in point,”—

a point for the sort of understanding, prejudicial, purely biased views which these Indian political agitators continuously claim to possess or advocate :

“ I do not suppose for a moment that the views there expressed will deceive Government as to the extent of public opinion behind them.”

There is no question of deceiving the Government. Whoever has ever heard of the Government of India being in any way influenced, much less deceived, by views expressed in what is known as the progressive press in this country :

“ I hope the Members of the Legislative Assembly will suffer from small delusion from the hysterical expressions of some newspapers that ought to know better. One would imagine that the Tariff Board's recommendations in respect of preferences, if accepted by Government, would seriously injure the Tata Co. or India. This is evidently not the opinion of holders of Tata's ordinary shares, which at today's price of Rs. 72, are actually 12 annas higher than they were before the report was published and Rs. 16 higher than their price at the end of March, 1934.”

Now, has the Honourable the Finance Member cared to find out what these ordinary shares fetch by way of dividends since the time the Tata industry was established ? Let me give him an idea of that. In one of the numerous statements that Tatas have published, and the statement happens to be one of the most valuable, the amount of dividend on ordinary shares is given :

1925-26

.. Nil.

1926-27

2.3 lakhs or 1.32 per cent.

[Diwan Bahadur A. Ramaswami Mudaliar.]

Then comes a period of unbroken prosperity to the ordinary shareholders and to my friend, Dr. Dalal's widows :

Dividends in 1927-28	..	..	<i>Nil.</i>
„ 1928-29	..	..	<i>Nil.</i>
„ 1929-30	..	..	<i>Nil.</i>
„ 1930-31	..	..	<i>Nil.</i>
„ 1931-32	..	..	<i>Nil.</i>
„ 1932-33	..	..	<i>Nil.</i>
„ 1933-34	..	..	<i>Nil.</i>

I can anticipate and say *Nil.*, and I say that so long as this protection period lasts and as long as I can humanly visualise it, the ordinary shares of Tata Co. will never produce a dividend and are worth practically nothing.....

**The Honourable Sir James Grigg :** Does the Honourable Member deny that these shares were quoted Rs. 16 higher than their price at the end of March, 1934 ?

**Diwan Bahadur A. Ramaswami Mudaliar :** I do not deny that there are a number of fools in this country. That is a self-evident proposition.

**The Honourable Sir Nripendra Sircar :** Does the Honourable Member suggest that people who buy Tata shares are fools ?

**Diwan Bahadur A. Ramaswami Mudaliar :** People who buy the Tata ordinary shares are fools, and I want the Honourable the Law Member to think over the proposition carefully. The shares are worth Rs. 75. Today they are quoted at Rs. 72. For the last ten years they have not paid any dividend. There are fools and bulls who speculate, and the majority of the speculators are fools, and that is the sort of speculation that has led to the increase of 12 annas in the price of these shares. My Honourable friend has probably, fortunately for him, no knowledge of the share market, otherwise he might have invested in Tata ordinary shares. But I can assure him that it is absolutely a waste to invest money in Tata ordinary shares now or in the near future, and I shall conclude my speech by telling my friend, Dr. Dalal, that he can derive no consolation from the fact that the Honourable the Finance Member has undertaken to look after his widows. (Applause.)

**Sir Abdur Rahim (Calcutta and Suburbs : Muhammadan Urban) :** I must admit that it has been rather difficult for me to make out the exact point of the eloquent speech of my Honourable friend. As a matter of fact, I do not propose to deal with any detailed questions that arise out of this Bill, because the Members of the Select Committee will go exhaustively into those matters. All that we are now concerned with is the principle involved in the Bill if we accept the motion before the House. My friend, the Diwan Bahadur, has warned us that this question has to be handled with a great deal of delicacy, and he has included every one in his warning. Sir, I for one do not think that there is no need for plain speaking on a question of this nature. I think that we ought to understand the position quite clearly and frankly. Sir, at the outset I feel a certain amount of difficulty as to what I am expected to do on the Select Committee. The Bill that we have before us is really

based on excise duty on ingots, and I should like to have your ruling as to whether it will be open to us in the Select Committee to decide that it is not desirable, in the interests of the country, to have any excise duties on the ingots produced by the Tata Iron Company. I should like also to know from the Commerce Member how far the excise duties are an essential part of this Bill, and whether the protection that is sought to be given to the Jamshedpur industry will be continued even if we decide that it is not desirable or necessary to impose excise duties on steel ingots. I do not know whether you are at present disposed to give any ruling on the point, whether to decide the general question of protection, it is open to us to consider the advisability or otherwise of imposing an excise duty.

**Mr. President** (The Honourable Sir Shanmukham Chetty) : What Sir Abdur Rahim wants is a ruling whether he will be entitled in the Select Committee to move any amendment for the omission of the excise duty on steel ingots altogether.

**The Honourable Sir James Grigg** : I am not aware of what the rules of order are and whether the fact that the word " excise " appears in the title of the Bill means an acceptance of the principle of excise. So far as that question is concerned, it is for you, Sir, and not for me. But in so far as the Government are concerned, I may say at once that the Government do regard the excise as an absolutely vital part of the Bill.

**Mr. B. Sitaramaraju** : I submit, Sir, that the principle of the Bill is merely the protection of the Tatas and the portion of the Bill which proposes an excise cannot legitimately be regarded as a part and parcel of the principle of protection.

**Mr. Gaya Prasad Singh** (Muzaffarpur *cum* Champaran : Non-Muhamadan) : Sir, I raised this point in my speech the other day, and from the few words which the Honourable the Law Member said on that occasion I could gather that he did not regard this excise duty as forming an integral part of this Bill.

**Mr. H. P. Mody** (Bombay Millowners' Association : Indian Commerce) : I submit that it would be extremely unfair if our support for reference to Select Committee would tie us down in the matter of raising the question of excise in the Committee, because the Bill lumps together the provision for the continuance of the protection and for the levy of the excise. If it had not been so, if the two Bills had stood separately, and if the excise had been brought up independently before us, and we had referred the matter to a Select Committee, then certainly we would have been bound by the principle of the excise. But in view of this lumping together of both, I submit it would be very unfair if our acceptance of the Select Committee motion would tie us down to support the excise.

**The Honourable Sir James Grigg** : I think there is some confusion between a point of order and a point of policy. The point of order is entirely for you, but on the point of policy the Government regard the excise as a vital part of the Bill and would consider the loss of excise as equivalent to loss of the Bill.

**Diwan Bahadur A. Ramaswami Mudaliar** : May I point out that, so far as the question of principle of the Bill is concerned, the excise duty has been instituted only due to an apprehension on the part of the Government that they will lose a certain amount of revenue. It should be

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open to the Select Committee to show that Government need not have that apprehension or to find an alternative method by which that revenue can be made good to the Government, in which case will the Honourable the Finance Member insist that the excise must be there? If they insist on it, it can be construed possibly as a principle of the Bill. But if they do not insist on it and the Select Committee or this House is in a position to show either that that loss cannot accrue, or to indicate an alternative method by which it can be made good, then it is a clear case in which the excise duty cannot be a part of the principle of the Bill.

**Mr. President** (The Honourable Sir Shanmukham Chetty) : The Finance Member says that the Government consider their proposal regarding the levy of an excise as a vital part of the Bill and very necessary for them.

**The Honourable Sir James Grigg** : Yes, Sir.

**Mr. President** (The Honourable Sir Shanmukham Chetty) : That is all right, but the Chair would like somebody on behalf of the Government to say what reply there would be to the point of order raised by Sir Abdur Rahim. Would Government contend that the levy of the excise duty is a part of the principle of the Bill to which this House would be committed by referring this Bill to a Select Committee? The Chair wants to know the opinion of the Government on that point.

**The Honourable Sir Joseph Bhoré** : So far as I am concerned, I can only endorse what my Honourable colleague, the Finance Member, has said, namely, that we regard the excise proposals as a vital part of the Bill. Personally, I do not see why, during the course of discussions in the Select Committee, it should not be open to Honourable Members to make any suggestion that they may like to make, but our own position is absolutely definite so far as this particular question is concerned.

**Mr. President** (The Honourable Sir Shanmukham Chetty) : The Chair understands the position of Government all right, but it is for the Chair to decide as to what is the principle to which the House is committing itself by referring this Bill to a Select Committee. The Chair must rule that the only principle to which this House will be committed, by referring this Bill to a Select Committee, is that the steel industry of India requires protection. (Cheers.) It may be that in the opinion of Government one corollary of following that policy of protection is a need for levying an excise duty to make good the loss in revenue, but that is not the principle of the Bill. The only principle is that this House recognises that the Indian iron and steel industry needs to be protected. (Applause.)

**Sir Abdur Rahim** : I am obliged to you, Sir, for the ruling which you have given. The matter is now clear, and I do not express any opinion of my own at this stage on the merits. I reserve it till I have heard the discussions in the Select Committee. But it is clear that it will be open to any Member to raise the question of excise in the Select Committee. It seems to me equally clear that the Government take their final stand on the question of excise. The Honourable the Finance Member has said that if you eliminate the excise duty it would be tantamount to dropping the Bill. That being the position, I shall just make a few gen-

eral observations on the Bill. But before I do so, I wish to add my appreciation to what has been expressed on all sides of the House, of the great improvement in efficiency which has been effected by the present management of the Steel Company at Jamshedpur. It is not necessary to dilate on that point because the facts and figures given in the Tariff Board's report speak for themselves. They are an eloquent testimony to the way the management of this Company recognise their duties and their obligations to the public of India which has given them protection. They apparently recognise that these protective duties are not to be a permanent burden on the taxpayers or the consuming public of this country, but that the Company must, within the opportunities allowed to them, put their house in order that the need for protection might disappear as soon as may be practicable. With that end in view, they have considerably reduced their costs. They have seen to it that the equipment is efficient, and they have, above all, done their best to see that the labour employed at Jamshedpur is contented and efficient. They have been giving effect to the policy of Indianisation, which was one of the recommendations made at the time the first Bill was passed, and they have made considerable advance in the matter of giving technical training to those who seek employment at their works. As regards the workmen, it is one of the most pleasing features of the activities of those responsible for the management of these great works that their wages are on a higher level than in most industries in this country. They are doing a great deal more than many an industry here to look after the health and welfare of labour. In all these respects they have undoubtedly deserved well of the country. Their efficiency has gone up so much, that the Tariff Board thinks that they are in a position now to recommend a considerable reduction in the import duties. The Tariff Board has come to the conclusion that it is quite safe to recommend a considerable reduction of import duties as the Jamshedpur Works will be able to hold its own without any high protective wall. At the same time, as I read the report, and it seems also to be the opinion of Government, the Tariff Board is apprehensive that the Tatas may establish a monopoly of steel production in India and they make no secret of this apprehension, for in more than one place in their report they say that such a monopoly is desirable and suggests that there is in fact room for another steel works to be established in the country. Most of their principal recommendations, to which very strong objection has been taken by speaker after speaker on this side of the House, are, as I read the report, based on this apprehension. Sir, I do not believe that either the Tariff Board or the Government would contemplate the possibility of the Tatas Steel Works suffering seriously. What very much concerned the Tariff Board was that the Jamshedpur Works should not monopolise the steel production of the country, and that other subsidiary, fabricating industries in India may prosper, so that, the public at large may not suffer in the long run. I for one have always advocated, and I advocate still, that India with all its resources can be entirely self-sufficient as regards the industrial requirements of the country and I would not view with very much concern even if the Tatas did acquire a monopolistic position, provided the Government was in a position to see at the same time that the public did not suffer. If the Tatas were allowed to monopolise the production of steel in the country, then, in that case, it would follow as a corollary that the public should be protected and that Government should take the power of fixing the prices of steel products. However, that is a mere theory. As it is, the position seems to be that

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we are faced with the question which we have to answer for ourselves, how far protection should go, whether it should go far enough to enable the Tatas to shut out imports from outside, whether from Britain or from other foreign countries, or whether we should allow room for imports to come in, so that there may be some competition with the Tatas and the engineering firms, public utility works, the railways and the public generally may not have to pay exorbitant prices for the articles that they require. If we are faced with that question, as the Government think that they are faced, then we have to proceed to examine the recommendations of the Tariff Board in that light. I have said that neither the Government nor the Indian public would think for a moment of the contingency or possibility of Tatas concern suffering any serious prejudice. That is absolutely clear from the fact, that an industry like that is essential for purposes of Imperial or national defence, and on that ground alone, if nothing else, I am certain the Jamshedpur company will not be let down. Now as regards the scheme for protection, I do not wish now to express any definite opinion on the question of abolition of revenue duty or the imposition of excise to make up for the loss in import duties. A great deal has been said as regards the constitutional position with respect to both these questions. I myself do not think that any constitutional difficulty is involved. The abolition or maintenance of a revenue duty must be controlled by considerations of revenue. That is a self-evident proposition, and ordinarily, supposing the Honourable the Finance Member was presenting his Budget to the House, very few Members on this side would think of questioning any proposal of his to reduce customs duties or any other revenue duties. The abolition or reduction of revenue duties is not, in itself, an evil : and certainly we on this side of the House do not think so, ordinarily. Therefore, in dealing with this recommendation of the Tariff Board, what really is at the bottom of this objection is that the abolition of the revenue duty on certain articles has been really recommended in the interests of certain non-Indian business houses. That is a matter which has to be examined in the Select Committee,—whether the effect is really to injure the Indian industry in order to benefit British or other foreign industries. As regards the question about the excise, as I followed the case of the Honourable the Finance Member, the position is that there would be a very heavy reduction in the revenue if the recommendations of the Tariff Board, regarding a considerable reduction of the import duties and also the letting in of certain articles revenue-free, were adopted, and that he is not in a position to give up all that revenue at present. Incidentally, I may observe, that though I do not know what the next Budget will be like, apparently, from what has been stated by the Honourable the Finance Member, he is not very sure that he is going to present us with a prosperity Budget next March. He is just fresh from England and he knows that the British Chancellor of the Exchequer has been able to present a prosperity Budget to the British public.

**Mr. President** (The Honourable Sir Shanmukham Chetty) : Today is Friday. The House will now adjourn till a quarter past two.

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

The Assembly re-assembled after Lunch at a Quarter Past Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

**Sir Abdur Bahim :** Sir, I was commenting on the fact that the Honourable the Finance Member does not find himself in a position to give up any income from the customs duties, and, therefore, he has found it necessary to impose an excise duty on steel. I was also pointing out that, so far as his own country is concerned, the Government have been able to produce a surplus budget, the actual surplus being something like 39 millions pounds. I fully recognise that my Honourable friend has practically inherited the Budget he will have to present to this House next February and he may not be in a position to do much to help the situation himself. But I may here express a hope that he will see to it that the cloud of depression, which seems to have lifted from Britain and other countries, should also lift soon from India as well. He will be in charge of our finances for the next five years and I hope that he will be in a position to give some relief to the taxpayers and to the industrialists of this country. (Hear, hear.) Now, I pass on to the question of the principle involved in the imposition of the excise duty. We were very pleased to have a very clear statement from the Honourable the Finance Member that he is personally opposed to the imposition of such a duty on the products of the country. This undoubtedly is the right policy. I hardly know of any country which imposes an excise duty on products of this nature. It certainly is not in the interests either of the public or the growth of industries that such duties should be levied. I entirely agree with what my Honourable friend, Mr. Mody, pointed out that the circumstances in which the excise duty on sugar was imposed were of a very exceptional nature. Though we now know that the Government are determined not to give up the excise duty in this case, I do think that they will still consider whether there is or is not any alternative to it. We know further that some articles will be let in revenue-free. I do not attach much importance to the question whether the Tariff Board went out of its way to suggest that the revenue duties on certain articles should be taken off. Apart from the general terms of reference it may be said on behalf of the recommendation of the Tariff Board that they had to take the entire situation into consideration. They had to consider whether the interests of the subsidiary industries have to be protected and if so what is the best method of protecting those industries. The real question we have to consider in the Select Committee is how far the proposals of the Tariff Board, as embodied in this Bill, are going to handicap the steel industry, both the main industry of the Tatas, as well as the subsidiary industries, and if so to what extent we are in a position to remove such handicap. The scheme of protection which the Tariff Board has adopted is quite simple. It set itself to find out first of all the working costs of this enterprise, what are the overhead charges, what should be allowed for the manufacturer's profit and what allowance should be made for what is called the freight disadvantage, which arises from the fact that it is far more expensive for the Tatas to carry their goods to Bombay than for Britain to send her goods to that port? The Tariff Board have also made allowance for any lag between what is called the theoretical price and the realised price. Taking all these facts into consideration, they have arrived at the fair selling price of Tatas goods



[Sir Abdur Bahim.]

at the port of Bombay. Having arrived at that figure, they have tried to find out the difference between the landed import prices and the fair selling price, and, they have assessed the duty which they have proposed on the basis of that difference. That is given in Table XXIII at page 54 of the report and I find from that table that that is the method adopted with respect to all the articles produced in this country, rails, fish plates, structurals, bars, plates, semis, black sheets, galvanized sheets and sleepers.

When my Honourable friend, Mr. Mudaliar, was speaking, I got the impression that the Tariff Board did perhaps make some sort of discrimination in the case of galvanized sheets. But from the table I find that the galvanized sheets are treated on the same footing as the other products of the steel industry in the country. He has also told us the history of galvanized sheets. He told us, for instance, what happened at the time the Ottawa Pact was accepted and the inference he has tried to draw was that the proposals in the Bill will be even more adverse to the manufacturers of galvanized sheets in the country than the proposals that were embodied in the Ottawa Agreement. I do not wish to enter at present upon the question of the Ottawa Agreement; my views on that Agreement are well known to this House. I held at the time that, if that Agreement in any way injures the industrial interests of this country, we should not confirm it. But if that Agreement also helps Indian industries, without injuriously affecting the industries or the consumers of our country, then we should have no objection to such an agreement. Shortly, I believe, a Committee will be sitting to examine how far that Agreement has benefited India, and I, therefore, do not wish to say anything which might tend to prejudice such an inquiry. The question of galvanized sheets and the duties that have been proposed on these articles will have to be undoubtedly very carefully examined by the Select Committee because that is a very important item amounting, I believe, to no less than about 50 per cent. in value of the imports. If it is found that the proposals of the Bill regarding galvanized sheets are in any material respect going to injure the industries here, we will have to ask the Government to reconsider that proposal. Mr. Ramaswami Mudaliar is very strong in his suggestion that the whole scheme of the Tariff Board is conceived in the interests of British industries and not to protect the Indian concerns. Sir, he used no mild language nor any vague language in order to make his point. That is a point which will undoubtedly be considered by the Select Committee, and, I am sure, my friend, Mr. Mody, will help us considerably in reaching a conclusion on that subject. Mr. Mody was not so eloquent in denouncing the greed of the British industrialists and naturally so, but Mr. Ramaswami Mudaliar, in spite of the delicacy with which he said a subject of this nature ought to be treated, was certainly extremely eloquent, forcible and plain in denouncing the proposals which in his opinion tend to favour certain British manufacturers. If the conclusion of the Tariff Board is correct, that the British manufacturers are not able to sell their goods here at prices lower than those of Tata's, then it seems to me that in the present condition of things it could not be said that the Tariff Board's scheme is wrong. But if I followed my Honourable friend, Mr. Mody, correctly, he sees great

dangers ahead. He is a businessman, and, it is possible, his foresight in that respect might be correct. He is apprehensive that the Steel Federation of Britain will be able to dump their products here just as the Continental Steel industries are doing at present according to my Honourable friend, the Finance Member. He also says, that the danger is such that the power given to the Governor General in Council to meet it by emergent orders in order to make the necessary adjustments when the import prices happen to be substantially lower than was contemplated by the Tariff Board may prove ineffective. Mr. Mody thinks that, that power is not likely to be of much avail, and, therefore, the result would be that if the powerful Federation of the Steel industry in England so chooses,—and it would be in their interest to do so,—it can under-sell Tata's in India and the protection now given to the Tata's will prove unavailing. As regards that point, what, I take it, the Select Committee will have to consider is, what other alternative is open to us. The only alternative,—and I do not know if Mr. Mody clearly suggested it,—we shall have to consider, seems to be whether we ought not to enhance the duties on British production as well. I have always held the view that business concerns, whether British or Indian, have their own method of conducting business, and that profit is the object which they place before themselves first and foremost, and nothing else. And if preference is to be given to English goods, I take it that they will take the fullest advantage of it in order to capture as much of the Indian market as possible. Mr. Ramaswami Mudaliar cited to us some documents and statements showing that this really was their attitude. I might have referred him also to the debates in the Parliament on questions of this nature, and, if he looked into those debates, he would have found that the British industrialists are anxious to preserve the Indian market as much as possible to themselves.

On another occasion, the House will remember, when the Textile Bill was before it and the proposal was to give the Japanese a quota, I suggested that England also should be given a quota. I know my suggestion did not find any sort of acceptance or approval from the Treasury Benches; but if you are going to adopt a system like this of preference, and, at the same time, you want that the Indian industries should not be hampered in any way in developing themselves, then I do not see how it is possible to restrain any outside competitors from encroaching on the market of India, as much as they are able to do. I really should like it to be explained,—I hope it will be explained to us clearly,—how such a contingency is going to be prevented. On the present calculations undoubtedly it will be correct to say that, the margin left for outside exporters is only 28 per cent., according to the figures given by the Tariff Board. But what guarantee is there that that competition will be confined only to this margin of 28 per cent.? I think I am correct in saying,—I should like to be corrected if I am wrong,—that many other countries have adopted the system of quota, and I believe some of the self-governing colonies have given quotas to Britain also. That is what I gathered from reading the debates in some of the Dominion Parliaments as summarised in the Empire Parliamentary Association's publications; and I really do not see that you can stop at the sort of indefinite arrangements that are proposed. You will have to be far more precise; you will have to adopt the same policy towards other countries as you have adopted towards Japan.

[Sir Abdur Rahim.]

Sir, I do not wish to take up any more time of the House. I wanted to place before the House certain general considerations which seemed to me to arise from the provisions of this Bill and from the speeches that we have heard upon it. The scheme of the Tariff Board amounts to this, stating it in a very few words. We are prepared to concede to the Jamshedpur company sufficient protection in order to meet outside competition, but we are not prepared to shut out competition altogether, since there is no other company or concern in India which produces steel and there are a number of other concerns which produce fabricated articles from the steel either produced by Tata's or imported. The conclusion, therefore, that they have come to is that we must keep the door of competition open till some other steel producing works are started. At the same time they hold that the interests of the Tata's must be sufficiently safeguarded; and as regards future contingencies, on which my Honourable friend, Mr. Mody, has dwelt,—and I do not say they are fanciful or remote,—they have given power to the Governor General in Council to make the necessary adjustments. Sir, I for one do not want on principle to give too much powers to Government to be exercised in their executive capacity, but in circumstances of this kind I am not prepared at the moment to suggest any other remedy. If any other remedy is suggested I am sure the Select Committee, and I hope Government themselves, will give it their best consideration.

**The Honourable Sir Joseph Bhore :** Sir, I think it is the general desire of the House that this measure should go to the Select Committee, and it is, therefore, perhaps unnecessary for me to reply at any great length, especially as the Select Committee is the *forum* in which the really relevant issues, that have been raised, can be most suitably discussed. But, Sir, let me in the first place advert to the criticisms of the personnel of the Tariff Board. I listened with feelings of pain and indignation to what I conceived to be personal attacks upon the two Indian members of the Board which was charged with the task of going into the examination of this question. Those two gentlemen, Sir, can afford to ignore attacks of that character; but those who indulged in that personal criticism overlooked the fact that it requires greater courage and greater independence to sponsor what may be an unpopular decision than it does to rant and rave in support of a popular slogan. Sir, we can do in this country with more of the former type and less of the type which so courageously shouts with the crowd and, when there are two crowds, with the larger.

The Bill, Sir, has two aspects, a revenue aspect and a protective aspect. So far as the former is concerned, my Honourable colleague, the Finance Member, has already dealt with it. He has shown the various revenue implications and results of this measure. If, Sir, I intervene and say a few words with regard to that particular aspect of the question, it is in response to his request that, as he has not the right of reply, I might add anything that might be necessary to supplement his statement. I will confine myself, Sir, to the question of the excise duty. Our position is that it is only the compelling necessity for obtaining revenue that has made us put forward this proposal. We do not intend that it should be a permanent imposition and it will be removed as soon as financial considerations permit. But, Sir, the objections to this excise duty are

surely based on misapprehension and misunderstanding. They appear to me to be two : the first is the objection of my Honourable friend, Mr. Mody. I think he suggested that the imposition of an excise and the levy of a corresponding import duty to balance that excise would immediately result in the foreign competitor swallowing the additional duty imposed which would result in the industry having to swallow the excise. Why the imposition of a corresponding duty to the excise should so excite the appetite and the capacity of the foreign competitor as to make him want to swallow something unpleasant at once I for one fail to see. . . .

**Mr. H. P. Mody :** I am afraid my Honourable friend has not interpreted my remarks correctly. All that I said was that there was the possibility of the foreign exporter reducing his price to a certain extent in order to meet the countervailing duty. I did not say that the mere imposition of the countervailing duty would immediately result in his coming down in his prices.

**The Honourable Sir Joseph Bhore :** I am very glad to see that my Honourable friend has taken a position which is not so uncompromising as I thought. But I go further and I say that if the foreign competitor could absorb the corresponding additional import duty, he could just as easily have undercut the home industry, had there been no excise and no corresponding duty. The relative position of the two appears to me to be absolutely unaltered by the imposition of an excise duty and a corresponding addition to the import duty.

There was some suggestion also that this method of obtaining revenue places an undue burden upon the consumer. All methods of obtaining revenue in this case involve an attack upon the consumer's pocket. But I do suggest to the House that that attack is less serious through the method of excise and corresponding addition to the import duty than through the method of a pure revenue duty. My Honourable colleague, the Finance Member, has explained this view at some length and it is unnecessary for me to dilate upon it. But I do not wish it to be understood that I am in favour of an excise in every case : in this case, I frankly admit, there may be considerations which render this particular excise not an ideal method of taxation ; and it is for that reason, that we have made it perfectly clear that the excise will be removed at the earliest possible opportunity when financial considerations permit.

But I am primarily concerned with the protective aspect of this Bill, and I have been and I am prepared to meet criticism on the basis either that it gives too much protection or too little protection.

Those who think the protection too much seem to be somewhat poorly represented in this House ; but they share one thing with the other class, namely, the class that thinks this protection too little, they both avoid having recourse to the actual facts and figures of each case to support their contention. There have been certain general calculations quoted by one Honourable Member of the total quantity of net protection given to Tatas. Those calculations appear to me to be open to the most serious objection. The basis of calculation in a good many cases seems to be entirely incorrect. For instance, it is quite incorrect to say that the quantity of protection recommended, for instance, against British galvanised sheets by the Tariff Board, was a revenue duty ; it was nothing of the kind ; it was ten rupees, nothing more and nothing less. Again it seems to me that it is not correct to say that the excise duty will come out of the pockets of the

[Sir Joseph Bhore.]

industry. I have endeavoured to show that that statement is at any rate a gross exaggeration, and if I am right, it is in all probability entirely incorrect. Take one case. Take the case of rails and fish plates. The Government are the only buyers of rails and fish plates and the whole of the excise duty will be passed on to the Railway Department. Then in making their calculations Honourable Members must not forget that the Board has made it quite clear that in arriving at a fair selling price in each case they have allowed wide and generous margins. For instance, they have allowed six per cent. as interest on working capital and they have allowed a profit of eight per cent. But that is not all. Take the case of semis. There the Board has calculated the fair selling price at Rs. 53 a ton. This provides for profit. Nevertheless the Board have accepted the price of Rs. 64 a ton for the sale of semis to the Tin Plate Company, the Wire Nails Products Company and the purchasers of billets.

**Mr. H. P. Mody** : Rs. 59, I think : not Rs. 53.

**The Honourable Sir Joseph Bhore** : I think it is Rs. 53. My Honourable friend, Diwan Bahadur Ramaswami Mudaliar, indulged in a very eloquent speech and attacked us somewhat violently. May I say that his statement of the case in regard to galvanised sheets was a travesty of what I venture to submit is a fair and reasonable point of view. My Honourable friend, with his deep love and concern for the agriculturist, painted in somewhat lurid language the disastrous effect of low prices on the agriculturist ; and yet when our proposals visualise a reduction, and an appreciable reduction, in the price of galvanised sheets, a reduction which in the aggregate would represent something like Rs. 48 lakhs to the consumer, my Honourable friend says : " No, we do not want it. Let the agriculturist pay. He need not buy, he need not replenish his stock until agricultural commodity prices go up." Surely this is a case in which agriculturists may well say, save us from our friends. The point at issue is a perfectly simple one. Only it has been somewhat clouded by my friend's rhetoric. The Tariff Board has arrived at a fair selling price for Tata's galvanised sheets. Is that price correct or is it incorrect ?

**Diwan Bahadur A. Ramaswami Mudaliar** : It is correct.

**The Honourable Sir Joseph Bhore** : It is correct, I am glad. Then all that the industry can ask is that we should secure it this selling price. I submit, Sir, that under the powers given to us under clause 2 of this Bill, we are in a position to ensure that that fair selling price shall not be materially encroached upon by uneconomic competition from outside, whether that competition is from British or from non-British sources.

My friend considered that the price of Rs. 160 for British sheets leaves the British producer a large margin of profit. That, Sir, is most certainly not so, for, Sir George Rainy and the Ottawa Delegation were quite definitely of opinion that the figure of Rs. 160 allowed the British manufacturer nothing but a fair margin of profit. To suggest that he has Rs. 30 a ton up his sleeve is, to the best of my knowledge, absolutely incorrect. If my friend will refer to pages 35 and 36 of the Report of the Ottawa Delegation, I think he will find that I am correct in this statement.

Sir, we have heard a good deal of the iniquity of the Tariff Board in making recommendations which do not afford adequate protection to the industry. Charges of inadequate protection and favouring British industries have been jumbled together in some confused way and hurled against

the Board. But what was the crime of the Tariff Board in this particular case? They proceeded in the normal way in making this investigation. As my friend, the Leader of the Opposition, has just pointed out, they proceeded by ascertaining first the fair selling-price for the Indian product. They then ascertained the selling price of British competitive commodities, the difference between the two being the extent of the protection needed by the Indian commodity. They proceeded to follow exactly the same procedure in regard to non-British competitive commodities, and they arrived at the extent of the protection in exactly the same way. Now, Sir, the Tariff Board has arrived at its conclusions following the cold logic of facts and figures and through the processes of cold arithmetic. Is it contended that their facts and their figures are wrong or that their arithmetic is faulty? If so, Sir, we are quite prepared to look into any evidence that may be adduced in support of a contention that the facts and the figures of the Tariff Board, and the deductions drawn therefrom, need revision. That, I have no doubt, will be done in the Select Committee.

Sir, one of my friends, I think perhaps two, attempted to minimise and belittle the value of the free entry of our pig iron into the United Kingdom. The reasons, I think, which influenced my friend, Mr. Raju, were firstly that a matter of ninety thousand tons of pig iron made very little difference to the Indian pig iron manufacturers of this country.....

**Mr. B. Sitaramaraju :** Not so much as that. What I was saying was, that so far as the United Kingdom markets were concerned, I could show figures which would show that the United Kingdom markets had restricted their purchases, whereas our foreign imports have gone on increasing. That was the point.

**The Honourable Sir Joseph Bore :** I am glad to hear that that was my friend's point, but I think if it was not my friend, then it was my friend, Diwan Bahadur Mudaliar, who said that ninety thousand tons was nothing at all—a mere bagatelle. I think my friend, Mr. Raju, also raised this point, namely that our best customer was Japan. Well, Sir, so far as Japan is concerned, there is one crucial point to be remembered, and that is that Japan is strenuously encouraging her own and her Manchurian blast furnaces, and it is only a question of time before she will be able to satisfy all her own requirements. My friend gave figures in regard to the imports into Japan of Indian pig iron, but I think he omitted to mention this significant feature, namely, that whereas, in 1928-29 and 1929-30 Japan took something like 350,000 tons of pig iron, last year, her takings were about half that quantity. That, Sir, I submit is eloquent proof of the contention that I have advanced, namely, that the Japanese market is a steadily diminishing market. It becomes all the more important for us, therefore, to find out alternative markets for our pig iron. If we could find markets for our pig iron as easily as my friend, Diwan Bahadur Ramaswami Mudaliar, rolls out his rounded sentences, we should have no difficulty. But, Sir, to say that 90,000 tons of pig iron is a mere bagatelle, that it means nothing at all, is to shut our eyes to the actual facts of the case. It may be perfectly true that 20,000 tons or 25,000 tons of pig iron may mean practically nothing to Tatas, but Tatas are not the only manufacturers of pig iron in this country, and for those other manufacturers of pig iron 50,000, 60,000 or 70,000 tons may make all the difference between continuing production and closing it down. (Applause from the European Benches.)

[Sir Joseph Bhore.]

Nor, Sir, should it be overlooked that in allowing us free entry of pig iron into the United Kingdom, the United Kingdom is allowing us free entry in respect of a commodity which she manufactures herself.

Now, Sir, more than one speaker has made reference to the Board's recommendations that there should be little practical differentiation between the fair selling price of tested and untested steel. That, Sir, also is a matter which I think can more appropriately be gone into in the Select Committee. But to those who fear that the Government proposals will make it possible for British importers to dump certain kinds of steel at uneconomic prices, I would merely say that clause 2 provides us with the necessary powers to face a situation of that description. Those powers can and will be used, whether it is the British or whether it is the foreign competitor, who attempts to upset our scheme of protection.

I would only, in conclusion, emphasise two points : firstly, when protection has been given in pursuance of a policy of discriminating protection, then, Sir, that protection must be effective both against British and against non-British rivals ; secondly, Sir, in no case should protection be in excess of what is actually necessary. Those are the principles which have actuated our policy in the past, and those are the principles which will actuate our policy in the future. Sir, I ask the House to send this Bill to the Select Committee.

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

“ That the Bill to provide for the modification and continuance of the protection afforded to the iron and steel industry in British India, and to impose an excise duty for revenue purposes upon certain steel be referred to a Select Committee consisting of Sir Abdur Rahim, Mr. H. P. Mody, Diwan Bahadur A. Ramaswami Mudaliar, Mr. B. Das, Mr. S. C. Sen, Lala Rameshwar Prasad Bagla, Mr. R. S. Sarma, Sir Hari Singh Gour, Mr. Sitakanta Mahapatra, Sir Leslie Hudson, Mr. Muhammad Yamin Khan, Mr. Muhammad Muazzam Sahib Bahadur, the Honourable Sir James Grigg, the Honourable Sir Frank Noyce, and the Mover, with instructions to report on or before Monday, the 13th August, 1934, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five.”

The motion was adopted.

**Mr. President** (The Honourable Sir Shanmukham Chetty) : What about the statement of business for next week ?

**Mr. G. H. Spence** (Secretary, Legislative Department) : The list of business for next week having already issued, a statement of business has not been prepared.

The Assembly then adjourned till Eleven of the Clock on Monday the 6th August, 1934.