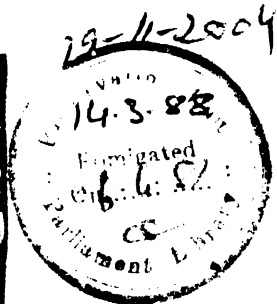


THE
COUNCIL OF STATE DEBATES

VOLUME I, 1935

(11th February to 17th April, 1935)

NINTH SESSION
OF THE
THIRD COUNCIL OF STATE, 1935



CONTENTS.

Monday, 11th February, 1935—

	Pages.
Members Sworn	1
Questions and Answers	1—16
Statements laid on the table	16—35
Messsages from His Excellency the Governor General	36
Committee on Petitions	37
Congratulations to Members, the recipients of Honours	37—38
Governor General's Assent to Bills	38
Bills passed by the Legislative Assembly laid on the table	39
Motion for the election of two non-official Members to the Standing Committee for the Department of Education, Health and Lands—Adopted	39
Motion for the election of three non-official Members to the Standing Committee for Roads—Adopted	39
Motion for the election of two non-official Members to the Standing Committee for the Department of Industries and Labour —Adopted	39
Motion for the election of two non-official Members to the Standing Advisory Committee for the Indian Posts and Telegraphs Department—Adopted	40
Motion for the election of two non-official Members to the Standing Committee for the Department of Commerce—Adopted	40
Cinematograph (Amendment) Bill—Motion to introduce, adopted	40

Tuesday, 12th February, 1935—

Motion <i>re</i> Report of the Joint Committee on Indian Constitutional Reform— <i>not concluded</i>	41—90
--	-------

Wednesday, 13th February, 1935—

Motion <i>re</i> Report of the Joint Committee on Indian Constitutional Reform— <i>not concluded</i>	91—140
--	--------

Thursday, 14th February, 1935—

Motion <i>re</i> Report of the Joint Committee on Indian Constitutional Reform—Adopted, as amended	141—86
--	--------

Saturday, 16th February, 1935—

Questions and Answers	187—91
Resolution <i>re</i> exemption of sugar factories established on co-operative lines from the excise duty—Withdrawn	192—99
Election of two non-official Members to the Standing Committee for the Department of Education, Health and Lands	200
Nominations for election to the Standing Committee for Roads	200

Monday, 18th February, 1935—

Question and Answer	201—02
Statement laid on the table	202—14
Presentation of the Railway Budget for 1935-36	214—19
Motion for the election of six non-official Members for the Central Advisory Council for Railways—Adopted	219
Motion for the election of four non-official Members for the Standing Committee on Emigration—Adopted	219

COUNCIL OF STATE.

Saturday, 16th February, 1935.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

QUESTIONS AND ANSWERS.

IMPORTS OF RICE INTO INDIA.

31. THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTY : Will Government be pleased to state :

(i) The quantity of rice imported into this country from Siam, Indo-China and other places during the previous year, as compared with the figure for 1933 ?

(ii) The steps taken by them to prevent such import of rice ?

(iii) The action taken by them on the representation made by the Government of Madras in this matter ?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN :

(i) A statement is laid on the table.

(ii) and (iii). The matter is under the consideration of Government.

Imports of rice into British India.

From	1933.	1934.
	(Tons.)	(Tons.)
Siam	21,625	2,80,856
Indo-China	12,579	1,07,849
Other countries	218	6,769
Total	34,412	3,95,474

RECOMMENDATION OF THE INDIAN JAILS COMMITTEE RELATING TO JAIL LIBRARIES.

32. THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTY : Will Government be pleased to state :

(i) What action has been taken by them on the recommendation of the Indian Jails Committee that "the jails should contain a supply of books suitable for prisoners who can read" (*vide* paragraph 274 of the Report) ?

(ii) Whether Government have circularized the local Governments drawing their attention to the necessity for improving and equipping jail

libraries with suitable books and setting apart necessary funds from provincial revenues for the purpose ?

THE HONOURABLE MR. M. G. HALLETT : (i) I lay a statement on the table showing the action taken by the local Governments and Administrations on the recommendation of the Indian Jails Committee regarding jail libraries.

(ii) Yes.

Statement showing the action taken on the recommendation of the Indian Jails Committee regarding the jail libraries.

Province.	Action taken.
Madras	Libraries have been provided in all jails. A committee was appointed in 1932 to examine the conditions of jail libraries but it has not been found possible to give effect to its recommendations owing to present financial conditions.
Bombay	Libraries have been provided in all jails ; magic lantern lectures are also given in larger jails and Borstal schools.
Bengal	Libraries have been provided in all central jails. There are no regular libraries in district jails but in a few jails a small stock of books is kept and books are also allowed to the prisoners from outside.
United Provinces	All jails have been provided with libraries and necessary budget allotment is made for their maintenance.
Punjab	Libraries have been provided in all jails in the Punjab.
Burma	Libraries exist in all jails, and facilities for reading are allowed to educated Burman and Indian prisoners.
Bihar and Orissa	Small libraries have been provided in all central and in some district jails.
Central Provinces	Libraries have been provided in all central and large district jails. Approved periodicals are also allowed and in one central jail lectures are given regularly.
Assam	Libraries have been provided in all jails.
North-West Frontier Province	General libraries of approved books were provided in 1932. A and B class prisoners are also allowed magazines and papers.
Coorg	There is no jail library as only very short term prisoners are kept in the Coorg jail.
Delhi	A library has been provided in the Delhi district jail.
Andamans	There is a library in the cellular jail, Port Blair, for the use of literate prisoners. It has been improved to meet the requirements of the terrorist prisoners.

CORRESPONDENCE OF DETENUS IN THE DEOLI CAMP JAIL.

33. THE HONOURABLE MR. MAHMOOD SUHRAWARDY (on behalf of the Honourable Mr. P. N. Saprú) : (a) What is the total number of detenús in the Deoli Camp ?

(b) Are these detenús allowed to correspond with their relatives and friends and if so, under what conditions ?

(c) Is Dhirendra Chandra Mukerji one of the detenús in that Camp ?

(d) Have any restrictions been placed upon his correspondence with his family ?

(e) Is it a fact that he has not been permitted to write letters to members of his family ?

(f) Is it a fact that a letter sent by his brother, J. C. Mukerji, an advocate of the Allahabad High Court, enquiring about his welfare was not replied to by the Superintendent of the Deoli Camp ?

(g) Is there any rule requiring authorities in charge of the Camp not to inform relatives of the welfare of detenus on whose own correspondence restrictions have been placed ?

THE HONOURABLE MR. M. G. HALLETT : (a) 497.

(b) Detenus are permitted to write three letters a week and there is no restriction on the number of letters they may receive. The Honourable Member's attention is invited to rule 7 of the Bengal Detenus Custody Rules published by the Chief Commissioner, Ajmer-Merwara, in his notification dated the 6th May, 1932 which appeared in Part II-A of the Gazette of India, dated the 6th May, 1932.

(c) Yes.

(d) to (g). No.

BAN ON MR. GANDHI'S VISIT TO THE NORTH-WEST FRONTIER PROVINCE.

34. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : (a) Is it a fact that Mahatma Gandhi has practically retired from politics and turned his attention to economic and rural uplift of the village population ?

(b) If the answer to part (a) is in the affirmative, what are the reasons for putting a ban on his visit to the Frontier Province ?

THE HONOURABLE MR. M. G. HALLETT : (a) and (b), I would refer the Honourable Member to the correspondence between the Private Secretary to His Excellency the Viceroy and Mr. Gandhi on the subject which appeared in the press in December, 1934. I may add that that correspondence took place after Mr. Gandhi announced his decision to retire from the Congress.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : A supplementary question, Sir. May we understand that Government is still under the opinion that he is not taking part in politics or he is taking part in politics ? What is the opinion of the Government at present ?

THE HONOURABLE THE PRESIDENT : That is a mere matter of opinion and I will not allow the question.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : I wanted to know the opinion of the Government.

THE HONOURABLE THE PRESIDENT : I will not allow the question.

EXCISE DUTY ON SUGAR.

35. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : (a) Will Government be pleased to state how much has been realized from the excise duty on sugar up to 31st January, 1935 ?

(b) Will Government be pleased to state the amount realized from the co-operative sugar factories in excise duty specifying separately the amounts received on those working on (i) vacuum pan system, (ii) open pan system ?

(c) How many co-operative sugar factories are working on the vacuum pan system in India ?

(d) What is their number in each province, and their capacity ?

THE HONOURABLE MR. P. C. TALLENTS : (a) Rs. 55,04,000.

(b) Information has been called for and will be laid on the table of the House in due course.

(c) Six.

(d) A statement is laid on the table.

Statement showing the number of co-operative sugar factories working on vacuum pan system in different provinces and their capacity.

Province.	No. of factories.	Capacity (cane crushed per day).
Madras .	4	Two have a capacity of 50 tons each and of the other two (which have not commenced working yet) one has a crushing capacity of 150 and the other 1,000 tons.
United Provinces .	1	150 tons.
Bombay .	1	300 tons.

FACTORS TAKEN INTO CONSIDERATION WHEN GRANTING HONORARY KING'S COMMISSIONS TO VICEROY'S COMMISSIONED OFFICERS.

36. THE HONOURABLE RAJA GHAZANFAR ALI KHAN : (a) Will Government be pleased to state what factors are taken into consideration when a Viceroy's commissioned officer is given an honorary King's commission ?

(b) Is it a fact that marks are given for length of service and that this is one of the bases upon which honorary King's commissions are bestowed ? If so, how do Government meet the case of young men recruited on direct commission who are promoted to the rank of subedar-major after putting in a comparatively short service and according to rules retire after holding the post of a subedar-major for five years ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : (a) and (b). Selections are made according to merit regardless of whether an individual received the Viceroy's commission direct or by promotion from the ranks.

There is no system of marking.

RESULT OF DISCUSSION ON THE AMENDMENT OF MR. JINNAH TO THE RESOLUTION ON THE JOINT PARLIAMENTARY COMMITTEE'S REPORT.

37. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : (a) Will Government be pleased to state if the information of the defeat of the Government in the Assembly upon Mr. Jinnah's amendment on the Joint Parliamentary Committee's Report has been sent to the Secretary of State and announced in the House of Commons during the debate ?

(b) If the answer to (a) is in the negative, what were the reasons for withholding the information at the moment it was required in connection with the debate in the House of Commons ?

(c) If the answer to (a) is in the affirmative what was the text of the cable ?

THE HONOURABLE MR. M. G. HALLETT : (a) The Secretary of State was informed of the results of the discussion in the Assembly on the Joint Parliamentary Committee's Report, *viz.*, that the amendment moved by the Leader of the Congress Party recommending to the Governor General in Council to advise His Majesty's Government not to proceed with any such legislation was defeated by 72 votes to 61, that the second amendment moved by the Leader of the Congress Party regarding the Communal Award was defeated by 84 votes to 44, that Mr. Jinnah's first amendment advocating acceptance of the Communal Award was carried by 68 votes to 15 and that the other two portions of Mr. Jinnah's amendment dealing with provincial autonomy and federation were carried by 74 votes to 58.

I am unable to say definitely whether or how the result was announced in the House of Commons, but from the newspaper reports of the recent debate in the House of Commons it appears that the members were fully aware of the result.

(b) Does not arise.

(c) I am unable to lay the text on the table.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : May I know what is the secrecy in not laying on the table of the members the text of the telegram sent to the Secretary of State on this point ?

THE HONOURABLE THE PRESIDENT : That is a mere argument and I will not allow the question.

THE HONOURABLE THE PRESIDENT : Honourable Mr. Banerjee, you had asked for my permission to allow the Honourable Mr. Khaparde to move the identical Resolution* which stands lower in the list and I have given you

* That this Council recommends to the Governor General in Council that a mixed committee of officials and non-officials be appointed to enquire into the working of the Government of India Presses and State Railway Presses with special reference to—

(i) the amount and nature of work done ;
(ii) the working conditions prevailing in these presses ;
(iii) leave, holidays pay and pensions granted to the workers, and
(iv) how far the printing machinery introduced in the presses during the last 15 years has affected the workers in regard to the number employed and their earnings."

[The President.]

the necessary permission. I do not find the Honourable Mr. Khaparde here. What do you propose doing? Do you wish to move the Resolution or not?

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal : Non-Muhammadan) : I do not wish to move it, Sir.

THE HONOURABLE THE PRESIDENT : Will you please say you withdraw it?

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : Sir, I withdraw it.

THE HONOURABLE THE PRESIDENT : The Honourable Mr. Hossain Imam.

(The Honourable Member was absent.)

RESOLUTION *RE* EXEMPTION OF SUGAR FACTORIES ESTABLISHED ON CO-OPERATIVE LINES FROM THE EXCISE DUTY.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central : Non-Muhammadan) : Sir, I beg to move :

“This Council recommends to the Governor General in Council to exempt sugar factories established on co-operative lines from the excise duty.”

Sir, the underlying idea of the protection given to the sugar industry was based on two broad principles, firstly, to develop indigenous industry in the country so as to stop the import of sugar—to make India self-contained so far as the consumption of this commodity was concerned—and secondly, it was also meant to benefit the agriculturist, because the sugarcane crop is one of the most paying crops of the country at present. Sir, both the results expected by the protection have been fulfilled. That is, a large number of sugar factories have grown up in a very short time and the people of this country have invested crores of rupees in the industry on the expectation that protection has been given to this industry. Similarly, Sir, when there was a large consumption and demand for sugarcane, the sugarcane area also developed largely year by year. With your permission, Sir, I will just place before the Council the figures so far available relating to the development of the sugarcane area from 1923-24 to 1932-33. In 1923-24 the sugarcane area of the improved variety of cane was 60,604 acres, in 1924-25 it was 75,334 acres, in 1925-26 it was 171,808 acres; in 1926-27 it developed to 207,989 acres; in 1927-28 it still increased to 268,688 acres; in 1928-29 it went up to 301,098 acres; in 1929-30 it developed to 549,025 acres; in 1930-31 it jumped to 817,094 acres; in 1931-32 it made a bigger jump and went to 1,170,479; and in 1932-33 it went up to 1,814,388 acres. So, Sir, both the underlying principles of the Protection Act were fulfilled. But an unfortunate event happened last year in putting the excise duty and this, I am afraid, will retard the progress that was being made year by year. We have not yet got figures of this year, therefore we cannot judge correctly what is the position. Sir, the protection given to the sugar industry was not all at once. It was gradual.

That is, the Protection Act of 1932 was based upon certain facts and figures and was developed gradually until it came to the figure of Rs. 7-4-0 per cwt. But, Sir, another drawback has come with the levying of an excise duty on this industry by which the capitalists are greatly frightened and it is this, that Java has been dumping sugar much in excess since this Act of 1934 than what it was doing. It has also, Sir, reduced the price enormously to compete with Indian sugar so that they may be put to loss. At the time when this protection was given, the Tariff Board put the fair selling price of Java sugar at Calcutta at Rs. 4 but now, Sir, it has been reduced greatly and the present selling price of Java sugar at Calcutta is Rs. 3-6-1 per maund while at Bombay it is Rs. 3-4-9 per maund. So, Sir, with this reduction in price the industry is greatly in danger of loss and therefore the people have sent representations to the Government to give effect to section 4 of the Act and increase the duty by executive order by 8 annas per cwt. Now, Sir, this is the condition of the sugar factories in India in general. But the condition of the sugar factories working on co-operative lines is quite different and much more serious. I am this morning pleading the cause of those factories which have been established on co-operative lines. These factories, Sir, are quite different from the factories established by the capitalists on a joint stock basis. The object of the factories established on co-operative lines is to give benefit to the cane-growers as much as possible and the ultimate goal of these factories is that they may be entirely transferred into the hands of the cane-growers. We all know, Sir, that the cultivators of this country are not in a position to invest large sums in establishing big factories and therefore they are always at the mercy of the capitalist and consequently some such means has to be devised by which the money of the capitalist may be utilized for the sake of the benefit of these cane-growers. So, Sir, these factories are established on a different basis from that on which the joint stock companies are established. Sir, in these factories a certain area is selected and within that area as many villages as produce cane are selected, and societies are registered under the Co-operative Societies Act. The societies become members of these factories and purchase shares. They are supervised by a regular staff, not in the cane season only but throughout the year. The duty of the staff is not only to supply their cane to the factory but to give them advice how to prepare their fields, how to improve the quality of their cane, how to use manure, how many times they have to give water. This staff is meant to educate these cultivators on all these points. These factories also advance money to the societies free of interest. One co-operative factory with which I am concerned, the United Provinces Co-operative Factory, gave Rs. 60,000 last year in that way without interest. Then, whenever there is a payment to be made to zemindars for rent, the societies come to the factory and the factory makes payments to the zemindars direct, if they so desire, or through the Society. The result is that the cane-growers are always at ease so far as payment of rent to the zemindars is concerned, and so far as the time of ripening of their cane is concerned. When these tenants are pressed by the zemindars for rent, they take the unripe cane to the factories and try to sell them as early as possible, because they cannot stand the pressure of the zemindar. The zemindars also cannot delay because they have to pay land revenue to Government for which also time is fixed. So, the ultimate result is that in most cases undeveloped sugarcane goes to the factories which are not working on these lines. There is another point. The co-operative factories generally pay a higher price for the sugarcane than what is paid by the other factories in the district or than what is prevailing in the district, because the object of the factory is that the cane-growers must get a fair price for their cane. Lastly, Sir, there are bye-laws in the factory by which the dividend is limited to

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

a certain percentage. They cannot pay as high a dividend as that paid by the capitalist factories, and whatever dividend they pay, they have to take the permission of the Registrar of the Co-operative Department before they pay that dividend. After that percentage of dividend, if there is a balance of profit, out of that profit these cane societies are eligible to get bonus on the quality and quantity of cane supplied. So, Sir, the interests of the cane-growers in this factory are manifold. It is in the development of the sugarcane, in the payment of the price, in the payment of the dividend on shares, and lastly, in the eligibility to get a bonus over and above the fair price paid to them. So, you will find that the situation of these factories is quite different to those of the capitalist factories. Under the present competition from Java and the competition of the bigger factories established on a joint stock basis, it is impossible for these factories to stand the competition. There are so many factories in India which are of 1,000 and 2,000 tons. There are hardly any factories on a joint stock basis which are of less than 400 tons capacity. The bigger the factory, the lower the overhead charges. The factories established on a co-operative basis cannot be as big. So, they cannot reduce their overhead charges. They have to pay several extra things which a joint stock company has not got to pay. For example, these seasonal factories are almost closed at the end of the season, and a very limited number of staff is kept for cleaning purposes. But for the co-operative concern, the whole organization for the development of the cane area is regularly kept. The factory with which I am concerned has to pay about Rs. 1,000 per month in the off season for the maintenance of this staff. So, naturally, their overhead charges will be much higher than those of the joint stock companies. These factories are suffering on the one hand from dumping and lower prices and on the other hand from the internal competition of the bigger factories established on a joint stock basis, and naturally, they cannot give such benefit to the cultivators at which they aim. Sir, the Government have always helped co-operation. We expect the Government to help in the same way. It is on co-operation that the salvation of this country lies. I will here quote the words which the co-operators have written in golden letters, the words of His Majesty the King Emperor when he said in 1911 :

"If the system of co-operation can be introduced and utilized to the full, I foresee a great and glorious future for the agricultural interests of the country".

After that, the Commissions which sat in India have all laid stress on the development of co-operation. The Royal Commission on Agriculture said :

"If the rural community is to be contented, happy and prosperous, local Governments must regard the co-operative movement as deserving of all encouragement which it lies within their powers to give".

The Committee of Foreign Banking Experts said :

"The co-operative movement, in spite of imperfections and unavoidable setbacks, deserves every possible assistance from all quarters, because there is no better instrument for raising the level of the agriculturists of this country than the co-operative effort and a strong appeal to the banking interests of the country to assist this movement seems not at all out of place".

So, Sir, it is agreed on all hands that the co-operative movement is the one movement which can raise the level of the agriculturists.

Sir, the House will remember that when the excise duty was being discussed in this House last year I moved an amendment the purpose of which

was nearly the same as that of my Resolution of today. The Government was not then in a position to accept my amendment, but the reply given was very encouraging, and it is because of that encouraging reply that I have brought forward this Resolution. Sir Alan Parsons in replying to my amendment said :

" I do not yield to him in the desire to see the growth of the co-operative movement, and so far as I have been able to follow his speech, I think the societies on whose behalf he was speaking probably fulfil a very useful purpose ".

Further on, he said :

" As a general matter of principle, I should, on my present information, consider that the particular form of assistance he suggests is not the form which further assistance, if necessary, should take. In any case much further investigation would be required before Government could agree to assistance being given to them in this form ".

So, I thought that in this interval of nine or ten months Government would have made inquiries and will come forward today to accept my Resolution. Sir, before withdrawing my amendment at that time I put a definite question to the Government, namely,

" May I ask of the Honourable Finance Secretary that if they (the factories) make representation through the local Governments, will he be prepared to consider their case, as he is prepared to consider the case of the factories in Bihar " ?

The Government had previously said that these concerns should represent their case through local Governments, and so I put that question definitely to ascertain if they would be prepared to consider their case if they so represented. The reply given by Sir Alan Parsons was :

" I am not prepared, I am afraid, to give any undertaking with regard to the revenue for the current year ".

As they were not prepared to give an undertaking with regard to the revenues of the current year, I would request them to consider this matter so far as the revenues of the coming year are concerned.

Now, Sir, the question is, what will be the effect upon the revenues of Government if my Resolution is accepted by them ? In answer to my question today it seems that the Government have not been able to collect complete statistics on the question but, Sir, so far as I know there are only three factories in India working on the vacuum pan system. One is the United Provinces Co-operative Sugar Factory, the second is the Sriram Krishan Co-operative Industrial Society in Vizagapatam, and the third is Etokoppaka Co-operative Sugar Factory. These are the only three. The two Madras factories are of about 50 to 75 tons capacity, as far as I know, and the United Provinces Co-operative Factory is of 150 to 300 tons capacity. These are the only vacuum pan factories. So far as the open pan factories working on co-operative lines are concerned, I think their number does not exceed more than a dozen. Taking all these facts into consideration, the loss of revenue to Government will not be more than a lakh of rupees a year, which is only a drop in the ocean of excise duty. That my estimate was approximately correct appears from what Sir Alan Parsons said in reply in reference to it. He said :

" Sir, for once I have not got to dispute estimates with my Honourable friends ", which clearly shows that he also estimated that the loss would not be more than a lakh of rupees. That, I submit, is a very minor loss which will give

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

a great benefit to the cane-growers and will give a great impetus to the co-operative movement when it is found that Government has accepted this request and exempted them from the excise duty.

With these words, Sir, I move.

THE HONOURABLE MR. V. C. VELLINGIRI GOUNDER (Madras : Non-Muhammadian) : Mr. President, for an agricultural country like India, this exemption asked for in the Resolution of my Honourable friend is a very important one. Its importance is all the greater because the specific request is that the exemption be only given in the case of factories run on co-operative lines. We all know that the co-operative movement is still in its infancy. It is through this movement alone that substantial relief can be given to the agriculturists and middle classes, especially in view of the present plight of the landholders. If protection is intended to give proper relief to the agriculture and industries of India, exemption from excise duty as in the present case is a step in the right direction. The sugar industry in India is counted as one of the important national developments of the country. We are advancing in sugarcane-growing technique through the great help given by Government by the establishment of sugarcane research work. If the agriculturists are to enjoy the full advantage of these facilities afforded by the protective duty and research work, I submit that the exemption asked for in this Resolution is most essential in order to develop the co-operative movement in India, which requires a great deal of support from the Government as well as the public. When I say, public, it means the great agricultural masses of our country and not the few big capitalists to whom as things stand at present the real benefit of the protection mostly goes. Our country being predominantly agriculturist of small holdings it is but proper and legitimate that these benefits should go to those masses ; and there is no other way for them to enjoy these benefits than through such co-operative lines and further this will be a great incentive to develop the co-operative spirit in the country. I therefore strongly support the Resolution of my Honourable friend and request the House to be pleased to give their unanimous support. After all, Sir, the loss has been estimated at only Rs. 1 lakh. We have heard that very great developments have been going on on co-operative lines in other advanced countries, especially countries dependent upon the agricultural industry ; and so it is but proper that the House should be pleased to give unanimous support in getting this exemption for factories run on co-operative lines.

With these few words, Sir, I strongly support the Resolution of my Honourable friend.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTY (Madras : Non-Muhammadian) : Sir, I have also great pleasure in supporting the Resolution moved by my Honourable friend Rai Bahadur Lala Mathura Prasad Mehrotra. I think very few societies are working on co-operative lines. I do not see why Government should not come to the aid of these concerns and see that whatever possible encouragement could be given is given to them so that such institutions may thrive. As my Honourable friend Mr. Gounder has said, India is an agricultural country and we have to do all possible improvements in the situation. As a matter of fact, the loss to Government would only be a lakh of rupees and I do hope that in the interests of the agriculturist the Government will not see their way to oppose the Resolution, but will as

far as possible give the agriculturists a helping hand to support a cause which is very dear to them. I need not take up more time of the House.

Sir, I have very great pleasure in supporting the Resolution.

THE HONOURABLE MR. P. C. TALLENTS (Finance Secretary): Sir, I have listened with great attention to the speeches which have been delivered by the three Honourable Members who have addressed the House and I am sure that all the other gentlemen in the House have done the same. The effect of those speeches, as it seems to me, is to establish two propositions, which no one here is prepared to contest. One is the success of the protection policy adopted by the Government with regard to the sugar industry; the other is the undoubted benefits which are conferred on the population of this country by the co-operative movement. No one is prepared to deny either of those two propositions. But, Sir, when we come down to the essence of the Resolution moved by the Honourable Rai Bahadur, I am afraid that I must join issue with him. To begin with, what does this Resolution mean? It says:

“ This Council recommends to the Governor General in Council to exempt sugar factories established on co-operative lines from the excise duty ”.

It is expressed in entirely general terms and includes the expression “ established on co-operative lines ”. What exactly would Government be committed to if it was to accept this Resolution as it stands? After all, in every factory in which two or more people are employed, there must be some degree of co-operation. I cannot believe that the Honourable mover of this Resolution intended such a wide meaning to be applied to his words. He must, I think, mean that this concession should be granted to those sugar factories which are registered under the Co-operative Societies Act, 1912?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: That is what I meant, Sir.

THE HONOURABLE MR. P. C. TALLENTS: That is what I thought and I shall proceed on that basis. As the Honourable Member has himself pointed out, there are only a very few factories answering to this description in India. In reply to a question which I answered this morning I explained that there are six, and of those six, according to my information, three are not working at the present time. So far as the size of the problem therefore is concerned it is, I freely admit, a very small one. The amount of revenue which Government might have to forego by granting the proposed concession is inconsiderable; but, Sir, the principle involved is one of very great importance. On what ground does the Honourable Member recommend that this special concession should be granted to this small and special class of sugar factories? I listened with great attention, as I said, to his speech; but I was unable to follow the reasons. To begin with, sugar factories as a whole in India at the present time, as he himself admitted, are benefiting from the high degree of protection which has been afforded to them. At the present time there is an import duty of Rs. 9-1-0 on imported sugar as compared with an excise duty of Rs. 1-5-0 per cwt. on the article manufactured in the country. The excise duty does not in fact amount to as much as the surcharge on the import duty. The industry as a whole can hardly claim that it has not received a full degree of protection. But, Sir, if this concession was granted to this small number of factories, then I think the indigenous sugar industry would have a very legitimate grievance. Why should these few factories receive this very special

[Mr. P. C. Tallents.]

concession? I admit that, as the orders at present stand, profits arising from sugar factories which are registered under the Co-operative Societies Act are exempted from income-tax. That is not a provision of the Act, but as the orders at present stand, that is the position. Why should they be granted this further concession? The theory is that mutual trading may result in mutual benefit, but not in profit. On this theory a similar exemption from income-tax has hitherto been allowed in England to co-operative societies, but the co-operative societies in England have now reached such a size that that theory has come in for very severe handling and the concession which has hitherto been allowed in England has recently been withdrawn. After all, if you have a large sugar factory, although it may be registered under the Co-operative Societies Act, that sugar factory is not intended to supply sugar to the cane-growers, but to the public. Once this factory goes into competition with the other sugar factories in the country, the theory that these factories are involved in mutual trading can hardly be supported. The indigenous sugar industry therefore is entitled to claim fair competition. Moreover, when you once impose a tax on an industry it is extremely undesirable to make exemptions and fail to impose it generally. The Honourable Member referred to a question—I think it was a question—which he put last year to Sir Alan Parsons. I have not got the proceedings of the Council of State of that day to refer to, but it seems to me quite clear that the question must have arisen in connection with the earthquake. If so, then, Sir, it seems to me to be quite irrelevant to the present Resolution which is expressed in entirely general terms. Sir Alan Parsons, as indicated by the Honourable Member, said that he was not able to consider exemptions from the excise duty in the then current year. I am sure he would never for a moment have agreed or have allowed it to be supposed that his reply gave any implication that he would be prepared to agree to such an exemption for all time to come. That passage in the Honourable Member's speech I think, Sir, is not relevant to the proposition which he is now moving.

Well, Sir, I hope that I have been able to convince the House that the arguments against accepting this Resolution are quite unanswerable, and that to adopt it would be both unfair to the sugar industry in this country and contrary to the theory on which these taxes are imposed. I hope that the Honourable Member will not press his Resolution to a division. If he does so, I hope the other Honourable Members will not fail to vote against it.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I regret that the reply I got to the amendment that I moved last time was much more hopeful than the one I have got this time. Sir, I admit that the language of the Resolution may not be very happy but what I meant, Sir, was only those co-operative sugar factories which were registered under the Co-operative Societies Act II of 1912, and I made this clear when my Honourable friend, the Finance Secretary, got up to reply. Then, Sir, he said that the principle involved was great and he could not follow the grounds on which I sought exemption for these factories. Sir, I made it quite plain in my speech that there is a lot of difference between the factories working on this system and the joint stock factories. They are giving so much benefit to the cane-growers which the other factories do not give. The other factories' concern with cane-growers is only to get cane as cheap as possible. The concern of these factories is to develop their cane area, to make them self-contained, to develop the spirit of thrift and to raise their share capital in these

factories. So, Sir, the difference is there and a great difference, which my friend the Finance Secretary I regret could not realize. Where is the factory in India which gives *dadni* of thousands of rupees, Rs. 56,000, without interest? Where is the factory which spends about a thousand rupees in the off season on the development of these cane societies? Where is the factory in India which is prepared to give a commission to these societies which eliminates middlemen's profits? Where is the factory in India which is prepared to share out of the profit which the factory gets? I think these are so many concessions which the other factories never give but the co-operative factories do so. So the difference is great. My friend may or may not realize it but the difference is great. Then, Sir, I am claiming exemption for this limited number of factories. I know that Government has given exemption to one factory in Cawnpore. It is a Government factory attached to the Agricultural College and experimental farm and it has exempted that factory from the excise duty because the purpose of that factory is demonstration. If the purpose of that factory is demonstration the purpose of these factories is to better the condition of the cane-growers, to set an example to other factories that they must also work on these lines and to give equal benefit of the protection to the agriculturist and the capitalist. So, Sir, the difference is great in every way.

Then, Sir, my friend said that so many concessions were given in England but recently the idea is there to withdraw them from the co-operative societies. Sir, the co-operation in England has developed well and there it stands upon its own legs, but in India co-operation is in its infancy. If Government is not prepared to help the movement, I think that the day will come when it will collapse. Therefore, it is in the fitness of things that Government may come forward to give such little encouragement as it can. In answer to my amendment last year, Sir Alan Parsons definitely said two things—firstly, that he was not prepared to consider the case during the current year. The Council proceeding is there and my friend can find it out from it. And secondly, he said, that the request should come through the local Government. These were the two definite points made by Sir Alan Parsons in answer to my amendment. Sir, I have fulfilled both requirements. I have waited for that current year to lapse. I am demanding this concession for the next year. And I have already applied to the local Government to approach the Government of India for this concession. I have fulfilled both these demands and now I request the Government of India, if the local Government considers the case favourably and recommends it to the Government of India, to kindly accept it and give this exemption. If that assurance comes, I am ready to withdraw the Resolution. I only wanted to ventilate the views of the co-operators on this point.

THE HONOURABLE MR. P. C. TALLENTS : Sir, I have only to say this that if a representation is received from the local Government it will of course be considered on its merits. But I have attempted to indicate to the House the line which the Government of India will probably take. It may be that the local Government have some further arguments to advance which have not been taken into consideration this morning. If so, I can only say they will, of course, be considered.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : On that assurance, Sir, I withdraw my Resolution.

The Resolution* was, by leave of the Council, withdrawn.

*Vide page 192, ante.

ELECTION OF TWO NON-OFFICIAL MEMBERS TO THE STANDING COMMITTEE FOR THE DEPARTMENT OF EDUCATION, HEALTH AND LANDS.

THE HONOURABLE THE PRESIDENT : I have to announce the result of two elections. Firstly, the names of Members nominated for election to the Standing Committee to advise on subjects, other than "Indians Overseas—Emigration" and "Haj Pilgrimage" dealt with in the Department of Education, Health and Lands. They are :

The Honourable Rai Bahadur Lala Jagdish Prasad, and

The Honourable Diwan Bahadur Sir K. Ramunni Menon.

As there are two vacancies and only two candidates, I declare them duly elected.

NOMINATIONS FOR ELECTION TO THE STANDING COMMITTEE FOR ROADS.

THE HONOURABLE THE PRESIDENT : I have also to announce that the following Honourable Members have been nominated for election to the Standing Committee for Roads :

The Honourable Mr. E. Miller,

The Honourable Diwan Bahadur G. Narayanaswami Chetty,

The Honourable Raja Ghazanfar Ali Khan,

The Honourable Mr. Mahmood Suhrawardy, and

The Honourable Mr. V. C. Vellingiri Gounder.

I shall announce later on the date on which the election will take place in respect of this Committee.

The Council will now adjourn.

The Council then adjourned till Eleven of the Clock (Standard Time) on Monday, the 18th February, 1935.