

13765 Correction of VAISAKHA 8, 1981 (SAKA) Reserve Bank 13766  
Statement laid on the of India (Amendment)  
Table BILL

Starred Question No. 1824, a copy of statement showing the details of the proposals received from the various State Governments regarding Inundation of Agricultural Lands by Saline Water in the coastal belts. [Placed in Library, See No. LT-1389/59].

12.01 hrs.

ESTIMATES COMMITTEE

FIFTY-SEVENTH REPORT

Shri B. G. Mehta (Gohilwad): Sir, I beg to present the Fifty-seventh Report of the Estimates Committee on the Ministry of Finance (Department of Revenue)—Central Excise Department.

12.01½ hrs.

PUBLIC ACCOUNTS COMMITTEE  
FOURTEENTH REPORT

Shri Ranga (Tenali): Sir, I beg to present the Fourteenth Report of the Public Accounts Committee on the Audit Report on the Accounts of the Damodar Valley Corporation for the year 1956-57.

12.02 hrs.

CORRECTION OF STATEMENT LAID  
ON THE TABLE

The Minister of Parliamentary Affairs (Shri Satya Narayan Sinha): Sir, in implementation of an assurance given by the Minister of Finance in answer to Unstarred Question No. 3315 answered on 6th May, 1958, to lay on the Table of the House, a statement about import licences over the value of Rs. 10 lakhs issued during the licensing period January—June, 1955, to January—June, 1957, I laid a statement on the Table of the House on 18th December, 1958. Against item 663 on page 48 of the statement a typographic error unfortunately occurred which I now seek to correct. The item should be read as "Gald (abbreviation for 'Galvanised') Bars" instead

of "Gold Bars". The typographic error which occurred in compiling a rather long list of import licences is very much regretted.

12.03 hrs.

CORRECTION OF ANSWER TO  
STARRED QUESTION NO. 1593

The Deputy Minister of Railways (Shri Shah nawas Khan): Sir, in reply to a supplementary from Shri T. B. Vittal Rao, arising out of Starred Question No. 1593 asked in the Lok Sabha on 1st April, 1959, I had said that no narrow gauge coaches are being repaired at the Railway Workshop at Mysore. I regret that this is not correct, the position being that narrow gauge stock of the Southern Railway is also repaired at the Mysore Workshop.

12.04 hrs.

RESERVE BANK OF INDIA  
(AMENDMENT) BILL

Mr. Speaker: The hon. Finance Minister.

Shri A. C. Guha (Basarat): Sir, before this Bill is taken up, I would like to raise a point of order. This Bill was introduced only yesterday and we got a copy of this Bill only this morning. No copy of this Bill was circulated before introduction as is the practice now. Moreover, Sir, the provisions of this Bill are somewhat unusual. As far as my knowledge goes, there is I think no Central Bank or Government which issues two types of notes, one for internal circulation and the other for outside use. Therefore, Sir, I think this Bill requires some serious study and the Bill may not be taken up today.

Mr. Speaker: So far as the question of waiving of notice is concerned, it appears when the hon. Deputy Speaker was here in the Chair yesterday a similar request was made on behalf of the Government, the House was consulted and the House was willing

[Mr Speaker]

to waive notice and have this matter taken up today. Therefore, the House itself has taken a decision. But waiving notice is one thing. If the House now thinks, having regard to the importance of the matter, that it is a matter which requires more consideration, that is another matter.

So far as Shri Guha's complaint that copies of the Bill were not circulated earlier is concerned, the hon Finance Minister wrote to me that this Bill ought to be treated on the same lines, or has to be kept a secret, as the Finance Bill, and before it is introduced copies are not to be circulated.

Shri Naushir Bharucha (East Khandesh) But the Finance Bill is not rushed through like this.

Mr Speaker That is another matter. I am only answering the particular point that copies of the Bill were not circulated to hon Members before introduction. I have disposed of that point. I have also disposed of the point relating to the question of waiving notice. Now it is for the House to decide.

I have received notice of a motion by Shri Naushir Bharucha stating that further discussion on this Bill may be postponed. When the motion is made, it is for the House to consider that matter. In view of the fact that at the time of introduction no previous notice was given, whether it ought to be considered immediately and disposed of as a matter, largely, which the House can consider.

Shri A C Guha Sir, I have something more to say. Before this Bill is taken up for consideration, I think the Members are entitled to get some literature. The Statement of Objects and Reasons gives just a few lines and hardly anything is given there. We do not know what is actually the reason for this unusual measure to be taken by the Government and the Reserve Bank. I would, therefore, suggest that some literature should be circulated before this Bill is taken up for consideration.

Mr. Speaker: What I would suggest is, let the hon Minister open the debate and make this motion that the Bill may be taken into consideration. After he has explained the position if there is still any difficulty, let us consider the matter then.

Shri Ranga (Tenali) Sir, two points have been raised. I realise the importance of the remark that you made, that the Finance Minister wrote to you saying that it should be treated on a par with the Finance Bill and therefore it should be kept secret and should be made available to Members only on the day on which some action is expected to be taken. I wish the House was not led yesterday into that decision with regard to waiving the notice without even having a look at the Bill itself. Today, once again, to ask us to proceed with its consideration and thereafter wait for the additional information that the House may like to have from the Minister as and when he makes his speech would not be, I think, a fair deal to the House. After all heavens are not going to fall if the consideration of this is postponed by a day. In the meantime the hon Minister can also circulate some information by morning, and then we would be better prepared to face it.

Mr. Speaker: I am really surprised to know that even to hear the hon Finance Minister hon Members must have read some literature. But for the importance of the matter I would not have allowed even this discussion. Yesterday a decision was taken by the House. The House is entitled to take a decision one way or the other. I have no right to over-rule a decision of the House. To say that because a Member was not present yesterday when the House took a decision that decision ought to be over-ruled today seems to be unreasonable. It cannot be done. Therefore when the House itself has allowed a discussion today automatically I am obliged to call upon the

hon. Finance Minister to start and then get through it. But as soon as a motion is made for consideration, it is open to the House to say whether at that stage it ought to be proceeded with or stopped. Let us now hear the hon. Finance Minister, and then come to any decision that the House may like to take later, as to whether it is necessary to go back on the decision that the House took yesterday. Let us hear him first.

The Minister of Finance<sup>1</sup> (Shri Morarji Desai): Sir, I beg to move\*:

“That the Bill further to amend the Reserve Bank of India Act, 1934, be taken into consideration.”

The Bill is very important, and yet it is a very simple measure. It enables the Reserve Bank and the Government of India to issue special bank notes and a special one rupee note in certain cases, but I should explain to the House the circumstances in which it has been found necessary to ask for this power. For many years Indian currency has been the medium of circulation in the Persian Gulf area. Notes have been freely taken out for use by the residents in that area and whenever these notes have been returned by the banks functioning in that area to the Reserve Bank, it has been the practice to exchange the notes for sterling when the banks have asked for this, because obviously foreign holders of these notes would like to exchange them for sterling. This facility has, however, been the cause of a considerable leakage of foreign exchange because it has been used in a roundabout way for the financing of gold smuggling into this country. Indian currency is generally smuggled out of this country for this purpose and gold in the Gulf area is paid for in this irregular way. These notes are then passed on through various channels and find their way into the hands of the banks in that area who are not in anyway con-

cerned with this smuggling. These banks, in the ordinary course of business, send their accumulations to this country and get sterling in exchange. In effect, therefore, by this rather devious route, we have been spending large sums of much-needed foreign exchange to pay for gold illegally brought into this country.

The question of how this smuggling and the consequential loss of foreign exchange should be prevented has been under Government's consideration for sometime in consultation with the Reserve Bank of India. It is obvious that any solution to this problem should not in anyway involve any disturbance of the economic and commercial life of the Gulf area which depends on the free availability of Indian currency, but this should be regulated in a way in which while all the legitimate needs of trade and commerce of the people in that area are met, no room is allowed for such nefarious operations as the illegal smuggling of gold into this country.

After careful consideration of the matter, Government came to the conclusion that this could best be done only by the issue of a special type of notes by the Reserve Bank. These notes which will be in the denominations of Rs. 5, Rs. 10 and Rs. 100 will be exactly like the corresponding ordinary notes except that they will be in a distinctive colour, and will be exchangeable only at the office of the Reserve Bank at Bombay. These notes will be freely exchanged into sterling or Indian currency at Bombay. It is proposed to provide free facilities for exchange of the notes now in circulation in the Gulf area for a period of six weeks so that, as far as possible, the new notes come into circulation in that area in replacement of the existing notes. Thereafter, the new notes will not be issued in exchange of the existing notes but only on tender of sterling.

\*Moved with the recommendation of the President.

[Shri Morarji Desai]

The liability of the Reserve Bank to exchange notes into sterling will, after the new notes have been put into circulation, become a little more precise than now. It will cover all the notes which have been exchanged for Indian currency and future issues which will be made only against the receipt of sterling.

People who do not exchange the notes will be free to remit them to India and exchange them into Indian currency. They will not, therefore, suffer any loss in respect of their holdings but they will not have the right to exchange them into sterling.

It is the intention of Government and the Reserve Bank to make the new notes freely available in exchange during the period of six weeks and thereafter to provide full facilities for replacement and for further issue as and when required, in exchange for sterling, the Reserve Bank are arranging with the branches of the established banks in that area for the provision of these facilities and Government are satisfied that the replacement of the currency now circulating in that area by these special notes will not in anyway dislocate the day-to-day economic life of the area.

It has been the usual practice for Haj pilgrims from this country to carry a certain amount of Indian currency with them to be exchanged into local currency in Saudi Arabia. The currency so exchanged is ultimately returned by the banks there and paid for in foreign exchange. In future, it is proposed to issue Indian notes in a special form to these pilgrims which will be later exchanged on presentation into foreign exchange just as at present. These notes will also be issued under the power proposed to be taken under the Bill before the House.

The House will appreciate that in an operation of this nature certain

prior arrangements such as the printing of stocks of the new notes, confidential consultation with the parties concerned in this country and outside are inescapable. The Reserve Bank of India have been in consultation with the Bank of England and we with the United Kingdom authorities in regard to the change-over.

We also took the earliest opportunity to take the rulers in the area into confidence as this was a matter of great importance to them and their subjects. I am very glad to say that we found in all quarters an appreciation of the purpose for which we are making this change and of our anxiety to see that the normal economic and commercial life in this part of the world is carried on without any inconvenience or interruption.

I hope that this will explain why this had to be done so confidentially and why no notice was given to the House before. This is a matter about which the House has been exercised for long—about the smuggling of gold,—and this is the only remedy that can be found. We hope that with this remedy the smuggling of gold will cease.

Mr. Speaker: Motion moved:

“That the Bill further to amend the Reserve Bank of India Act, 1934, be taken into consideration.”

Shri Naushir Bharucha: Sir, I beg to move:

“That the consideration of the Bill be deferred to a date to be fixed by the Chair, pending circulation to the House, of a detailed Memorandum as to why it has become necessary to issue special notes for controlling circulation of Indian currency without India.”

The speech which the hon. Finance Minister made, far from allaying my apprehensions, has increased my

apprehensions. What is worse the way which he suggests for effectively preventing smuggling appears to me such that it would only create many more complications without tackling this evil.

This Bill was circulated to us at 8 A.M. and if one excludes the time normally taken by a Member for his bath and breakfast, even a hundred minutes have not been made available to us to consider the fullest implications of this complicated Bill. I refuse to believe that this had to be kept secret especially in view of the fact that it is disclosed now that for the next six weeks there will be free conversion of our existing extra-territorial currency into these special notes and vice versa. If this is so, I cannot understand why this Bill could not have been delayed for three or four days or for a week. In fact, there was no excuse for any urgency or emergency and I think that reasonable time for a very clear and dispassionate consideration by the House is required.

Probably the House is not aware of the implications of this Bill. I want this House to consider these implications. The House is kept completely in darkness as to what is the extent of this extra-territorial circulation of our currency. We do not know whether the evil is so rampant and is so extensive. No figures are given in the Statement of Objects and Reasons or as to what are the countries where it is circulated. We have been told of the Persian Gulf territory. I do not know whether there are other countries in which there is this circulation. Probably it is in Goa and some other countries in Africa. We do not know. No full information is being supplied to this House.

Then, what are the provisions of the Currency Ordinance of 1940 which this Bill overrides? We have not got by way of literature even a strip of paper telling us what are the provisions of the Currency Ordinance of 1940 which are sought to be

overridden. It is said that the issue of special notes will help in controlling the circulation of illegal notes and smuggling. Even this is doubtful, because, if our notes are going to be smuggled, they will still continue to remain as extra-territorial currency. Therefore, I would like to know how far this method devised by the hon. Finance Minister in consultation with the Bank of England is going to remedy the evil. I am of the opinion that there will be two currencies, extra-territorial currencies, simultaneously in circulation, and if notes can be smuggled out they can still be smuggled in. What are the specific evils which this Bill seeks to control? He says, gold smuggling. For the life of me, I have not been able to understand how it is going to control smuggling of gold. Suppose for instance, our existing currency notes or our future special notes are not smuggled out. How is this going to stop the smuggling of gold, which in itself is an independent transaction of the source by which it is paid for? I really cannot make out.

Then there is the question whether the introduction of special notes in foreign territories will not raise political issues laying India open to charges of expansion in those territories or charge of wrecking the currencies of those areas. A currency of an area can be wrecked notwithstanding the fact that the rulers of those areas may have consented to the introduction of special notes without appreciating the full implication of what special notes may mean.

What will be the implications of the new notes not being legal tender in India? I am inclined to think that one implication will be that as the economic law goes, bad currency drives out good currency, bad money drives out good money. Therefore, one of the effects may be to drive out our present currency from extra-territorial circulation. Since there is a prestige attaching to our currency circulation in foreign territories, the question is whether

[Shri Naushir Bharucha]

It is worth while chasing out our present currency which the special notes may not be able fully to replace. Even if the special notes are not legal tender in India, what effect will they have on our own paper currency in India, if they acquire widespread acceptance as a secondary currency here for the purpose of payment in specific territories outside India? We are not given time to consider what these implications would exactly be.

I am inclined to think that the result of printing special notes will be that there will be in India circulation of dual currency, one which is legal tender and the other which is not legal tender, but still in circulation because they are not circulated here. After all, what is the quality of a legal tender based upon? If the paper currency is acceptable to the people of a country, it might serve a secondary purpose and it may continue to circulate as a secondary currency. In that case, what will be the effect of that secondary currency on our own existing currency? What is the provision intended to be made for the bullion reserves against the issue of special notes? What is going to be the fiduciary backing of the special notes or whether they will be merely the product of our Security Press at Nasik working overtime? Or, in plain language, is it another device for back-door deficit financing, because it is obvious that if this secondary currency becomes acceptable in India to any large extent, to that extent, it means deficit financing and there is the risk of further inflation.

What is the provision with regard to convertibility of special notes into sterling or hard currency on demand by a holder in due course? That is the only question which the hon. Minister has explained. He has explained that these special notes will be freely convertible into sterling. On that is based another important issue of policy, viz., while our own

people starve here for foreign currency we are going to be so very charitable that whosoever holds our special notes in other territories will have them freely converted into sterling. I find the hon. Finance Minister is smiling. I doubt whether his smile is not due to the fact, what we say, "Where ignorance is bliss, it is folly to be wise."

The issue is also whether Parliament can delegate to the Reserve Bank powers even with previous sanction of Government to make regulations for exchange of our present notes in foreign countries and thereby incur foreign exchange obligation on a scale which at present we are unable to foresee. So, the position is, before we introduce a new type of currency, we have got to examine the repercussions which this innovation may have on our own currency and on the extra-territorial currency which is circulating. Introducing new currency is not merely a business of printing notes. It has got its implications, none of which have been explained. Even if they are explained today, it is necessary that the House must have sufficient time to digest all those implications.

The Bill was received by me at about 8 o'clock in the morning—may be I get up late—and by 12 o'clock noon we are discussing it. I ask whether this House will permit itself to be reduced to a rubber stamp at the Government's behest. It is wrong to say that this Bill is in the nature of a Finance Bill. It is not. It is in the nature of currency reform or deform. It is more going to deform the currency rather than reform it and I have got my grave doubts whether it will attain the purpose of preventing smuggling which the Government have in view.

Above all, I strongly protest against the rushing tactics of Government, rushing through a measure of great importance, without the Members being given a scrap of paper by way

of literature, without the Members not even being told what the exact amendment of section 28 is, because the Members are not given a dog's chance even to understand the implications. I speak as a lawyer with an experience of over quarter of a century. I can quickly grasp the implications of the Bill and I can say that I have not understood the head or tail of this Bill. And yet, the hon. Minister expects that all the 500 Members have understood everything and they will set the seal on whatever he wants to be done. I strongly protest against this rush tactics of Government and I appeal to the House to support my amendment which is for the consideration of the Bill being deferred for a time during which enough material may be circulated to us.

Mr. Speaker: Amendment moved:

"That the consideration of the Bill be deferred to a date to be fixed by the Chair, pending circulation to the House, of a detailed Memorandum as to why it has become necessary to issue special notes for controlling circulation of Indian currency without India."

I may inform hon. Members that in all cases where a Bill is introduced without previous circulation on the ground that it ought to be kept secret until it is actually introduced in the House, immediately on the notice board there is a red light switched on to indicate to hon. Members that a secret Bill, a Bill which is intended to be secret until it is introduced, has been introduced in the House and copies are available. Since last night or since it was introduced yesterday, the red light would have been noticed by hon. Members. If they have not noticed it, hereafter they will notice it. I also intend putting up a red light here so as to ask hon. Members to stop whenever I want them to stop.

But before proceeding further, I would like to know myself what was

the hurry and what was the reason not to print it? What is the secrecy about it? I am not able to see. If these notes can be circulated for six weeks, why should he have prevented hon. Members from having an idea about this Bill? It is not a Finance Bill, where it is introduced after 5 o'clock. If it were so, I would have allowed it to be introduced after 5 o'clock. How is the stock exchange manipulated. The hon. Minister will explain to me.

Of course, this is an extraordinary matter, but even at the time of introduction, hon. Members can oppose a Bill. I do not want to take away easily the right of hon. Members to oppose a Bill even at the first stage. This was a regular matter that went on when the previous Government was in office here; history was made in this House and even at the introduction stage, Bills were opposed. Hon. Members must have a copy of this Bill to find out whether all of them may not be of the same opinion. Except in exceptional cases where I am thoroughly satisfied, I am not going to allow this. I would request the hon. Minister to tell me why I was asked to accommodate and then say, even without the previous circulation, the Bill was introduced. What is the urgency? If copies of the Bill were normally circulated, how would it have affected? In the case of Finance Bill, immediately on the introduction of the Bill, there is another Act—the Provisional Collection of Taxes Act—brought into existence, so that the provisions of the Finance Bill may have immediate effect. No such thing has been done here it cannot be done, as a matter of fact. Therefore, if for six weeks they can go on as they like, why should we alone be hustled into this matter?

Shri Morarji Desai: When I requested you about this Bill, if I had been asked further, I would have put all the facts before you. Even the whole file could have been put before you, because there is no question of secrecy from you:

**Mr. Speaker:** Let me at least know what exactly is the secrecy now.

**Shri Morarji Desai:** That is all right, Sir; I have not said that I will not say. We are dealing with a problem where smuggling of gold is involved. This House has been exercised over it for a long time. Government have been asked from time to time to take steps to stop smuggling of gold and they were even charged with being indifferent to this problem.

The smuggling that takes place is by the going out of notes from here which then are cashed into sterling from those banks because we have got our notes circulating in this area. In making these arrangements we have to take agreement from the States also, because if they do not agree we cannot do it. We have also to take an agreement from the Bank of England and the Government of England, because they are also concerned in this area. We had, therefore, to carry on negotiations with them, which has been going on for the last six or eight months.

Now, if prior intimation reached any people any currency that may be elsewhere would also gravitate there and will be brought there immediately and we would have to transform all that into sterling. Six weeks will be for this area and not for other areas.

**Mr. Speaker:** I am not concerned with all that. What does it matter whether the Bill was circulated yesterday or today. If yesterday copies of the Bill had been made available. I would have had it circulated to hon. Members before introduction. How does it make any difference? Bills are circulated for the purpose of study.

**Shri Morarji Desai:** If we give so much time more currency will come there and more gold will be smuggled in the interval; a spurt of gold would have taken place. In order to prevent that we have to do this.

**Mr. Speaker:** What has been done has been done.

**Shri A. C. Guha:** It is a question of the dignity of the House. If Government can allow six weeks' time for those people, why should at least two or three days' time not be given to this House? Bills should not be rushed through like this. Moreover the wording of this Bill is not quite clear.

**Mr. Speaker:** Both the motion for consideration and amendment for adjournment of the debate are before the House. Shri Prabhat Kar.

**Shri Prabhat Kar (Hooghly):** I would support Shri Bharucha's amendment, not agreeing of course with all that he has said about the Bill itself. So far as the contents of the Bill are concerned, when I got it in the morning, I thought it would deal with the area about which the hon. Finance Minister told us. But having given six weeks' time...

**Shri Morarji Desai:** If you take it up tomorrow, I have no objection.

**Mr. Speaker:** In the meanwhile, if there is any literature gathered, or any memorandum prepared it can be circulated. Shri Bharucha wanted to know as to what would be the amount in circulation in foreign countries and what are those countries. Can he give any such information just now?

**Shri Morarji Desai:** I can give that just now.

**Mr. Speaker:** This matter will stand over till tomorrow. All hon. Members will study it. In the meanwhile the hon. Minister will just give the information which was asked by Mr. Bharucha and one or two other hon. Members.

**Shri Morarji Desai:** May I say that the hon. Member Mr. Bharucha based his argument on some calculations or notions which I do not know from where he obtained. He said that



extra notes are going to be issued. He asked where is the gold reserve for that and also put all sorts of questions.

Sir, it ought to be known that notes are being circulated there. If these notes are going there there will be no extra notes; they will be in substitution of ordinary notes which will be circulated there. It is not extra circulation of notes in any way.

**Shri Nanshir Bharucha:** He has not understood my question. There is no limit prescribed. Therefore what will be the position of those notes? Will they have any fiduciary backing or they will be products of the Nasik Printing Press?

**Shri Morarji Desai:** Barring re-deeming of notes which are in circulation due to our action, future notes issued will be against sterling given to them. There is no question of giving any notes. I have said that in my speech, but the hon. Member does not care to follow my speech.

**Shri Prabhat Kar:** Can the hon. Minister give figures to this House about this particular type of notes that will be issued? Has he got any idea of our liability. Can he give it to the House?

**Shri Morarji Desai:** Whatever liability is there has got to be met. It is our own creation. But I can give only the history, as it took place, during the last few years. From that you can see as to what is happening in the matter of gold smuggling.

**Shri Mohammed Imam (Chitaldrug):** You have given your ruling that this will be taken up tomorrow.

**Mr. Speaker:** Hon. Members do not follow the proceedings here.

The hon. Minister agreed that this matter may stand over till tomorrow for discussion. In the meanwhile I requested the hon. Minister to give—in view of what Mr. Bharucha wanted—

additional information, if he has. The hon. Minister said that he had stated to the House what all he wanted to, but in addition he was willing to give some more information which Mr. Bharucha wanted, as also Mr. Prabhat Kar, about the quantity of currency notes in circulation in other countries. He said it would only be approximate. He was prepared to give that information, but hon. Members want to argue without information.

**Shri Morarji Desai:** Sir, during the first three quarters of 1958 Rs. 33 crores in Indian currency notes were returned by the Persian Gulf banks and Rs. 27.4 crores were paid to them in sterling. This was the amount at that time. We want to stop all this. It was because of this gold smuggling which is of the order of Rs. 30 crores. We have got to stop that. That is why this is being done.

**Shri Prabhat Kar:** Approximately for the last three years what have we got to pay?

**Mr. Speaker:** For one year it is Rs. 27 crores. Multiply it by three. It is common knowledge. Again and again questions are put here as to how many people were arrested, etc

**Shri Morarji Desai:** I am prepared to give that. For the first nine years up to 1956 the amount was about Rs. 120 crores. That is what it was for the first nine years. In 1957 it has taken a very bad turn. From that time it has become difficult. In the year 1957 alone it amounted to Rs. 44 crores, as against Rs. 14 crores in 1956 and Rs. 11 crores in 1955. Out of this Rs. 44 crores we had to pay back Rs. 32 crores in sterling. Then I gave the figures of 1958. From that it will be seen how the amount is increasing every year.

**Mr. Speaker:** It is provided in the Bill, as hon. Members would have seen, that these notes can be cashed only in the Reserve Bank. Hon. Members would remember that formerly notes were printed payable only

[Shri Morarji Desai]

in a particular branch or a particular province, as for instance in Burma or Madras. There is nothing new about it.

Further discussion on this motion would stand over till tomorrow. I take it the amendment is not pressed. It is left to me to decide when it should be taken up; I decide it may be taken up tomorrow.

12.39 hrs.

**RESOLUTION RE RECOMMENDATIONS OF RAILWAY CONVENTION COMMITTEE.**

The Minister of Railways (Shri Jagjivan Ram): I beg to move:

"That this House resolves that the period for the continuance in force of the recommendations of the Railway Convention Committee, 1954, governing the arrangements between railway finance and general finance which were approved by this House by a resolution adopted on the 16th December, 1954, be extended by one year up to the 31st March, 1961."

As the House is aware, the Railway Finance was separated from General Finance on the basis of a Resolution passed by the then Legislative Assembly in 1924 in the following terms:

"In order to relieve the General Budget from the violent fluctuations caused by the incorporation therein of the Railway estimates and to enable Railways to carry out a continuance Railway policy based on the necessity of making a definite return to General Revenues, on the money expended by the State on Railways."

In pursuance of this Resolution, the Railway Budget became a separate entity and separate Reserve Funds in

the shape of the Depreciation Reserve Fund, the Revenue Reserve Fund and later the Development Fund were created. General principles were also laid down for the allocation of expenditure to Capital, Revenue and these Funds. The details of the financial arrangements were, however, reviewed periodically by Convention Committees of Parliament, which examined the position carefully and made recommendations. The approval of Parliament was then obtained based on these recommendations.

The present financial arrangements are based on the recommendations of the Parliamentary Convention Committee appointed in 1954, which were accepted by this House by a Resolution passed on the 16th December, 1954, and which are current up to the 31st March, 1960. In the ordinary course, I would at this time have approached the House for the setting up of a new Convention Committee, so that, after allowing for the time the Committee would require for its deliberation, its recommendations may become available for consideration and decision by the House before the expiry of the current period. As stated in my Budget Speech for 1959-60, it is essential, however, that a Convention Committee set up for this purpose should have reasonably accurate data as regards the burden of additional traffic that would fall on the Railways, the level of investment required to meet that obligation and a good forecast of the earnings and working expenses during the next few years. This, however, is not possible until reasonably firm decisions are taken as regards the magnitude of the Railways' Third Five Year Plan.

Shri Naushir Bharucha (East Khandesh): The hon. Minister is not audible.

Mr. Speaker: The hon. Member will come and sit a little ahead.