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11

MOTION FOR AN ADJOURNMENT OF THE BUSINESS OF THE HOUSE.

Rao Bahadur A. R. KARNATA RAO PANTULI :—" Mr. President, under Standing Order 20, I ask for leave to make the following motion :—

*That the business of the Council shall be adjourned for the purpose of discussing a definite matter of urgent public importance, viz., the effect on the present Reforms of the statement made by the hon. Member for Finance at the meeting of the Legislative Council on the 7th February 1923 that the bulk of the duties in relation to the public services are laid upon the Governor and that he (the Governor) must take the initiative in appointments.*

and, under Standing Order 21, I hand over to the hon. the President a statement of the matter proposed to be discussed."

The hon. the PRESIDENT :—" The hon. Member for Nellore has handed to me a written statement of the matter proposed to be discussed. Under Standing Order 22,

" If the President is of opinion that the matter proposed to be discussed is in order, he shall read the statement to the Council and ask whether the Member has the leave of the Council."

" It seems to me that so far as I am concerned, the statement is in order. Now I ask whether the hon. Member has the leave of the Council. If objection is taken I have to request hon. Members to rise in their places. (After a pause). Since no objection has been taken, the hon. Member has the leave of the House and the motion will be taken up at 4 o'clock subject to the rules and restrictions laid down for the purpose under the Rules and Standing Orders."

III

ACT ASSSENTED TO BY HIS EXCELLENCY THE GOVERNOR.

The hon. the PRESIDENT :—" I have to announce that the Taticcin Port Trust Bill which was passed by the Council on the 7th February 1924, received the assent of His Excellency the Governor on the 11th February 1924."

IV

AMENDMENTS TO STANDING ORDERS ASSSENTED TO BY HIS EXCELLENCY THE GOVERNOR.

The hon. the PRESIDENT :—" I have to announce that the amendments to Standing Orders 44, 46 and 49 passed at the February meeting of the Council, received the assent of His Excellency the Governor on the 15th February 1924."

V

BUDGET FOR 1924-25.

The hon. Sir CHARLES TORRENTIN :—" Mr. President, I beg to introduce the Budget for the year 1924-25."

[Sir Charles Tedder]

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\* The history of finance under the Reforms has been one of excursions and alarms, one of alternating hope and black despair, and it is therefore with a great sense of satisfaction that I feel it has been given to me before I lay down my office to give the Council the cry of 'all clear', to be able to present a budget in which the revenue covers the expenditure, and not only does that but leaves a sufficient margin over to clear the Presidency of everything in the shape of what I have called dead-weight debt. I do not mean to say that it is a prosperity budget; or even a security budget; it is a hand-to-mouth budget—the antithesis of that of a sister province that does not consider itself safe without a balance of two crores to guarantee it against the exceedingly precarious character of its annual revenue; there is no balance in hand; there is no money to spend on many necessary developments; but we do just reach equilibrium, and I think we are justified in saying that we are 'all clear'.

\* Sir, it is my misfortune to appear before the House now for the sixth time to render an account of the Government's stewardship and to define their proposals for the use to which the next year's income is to be put. This is not only more times than any of my predecessors have performed this duty, but twice as many as the majority. In fact we have to go back to the nineties to discover a Finance Member who survived more than four such occasions, and even Sir Henry Bliss had to have his speech read for him on the fifth. (Laughter.) And having thus grown old in the trade—a trade which some gentlemen in this Council have been pleased to call a juggling trade—and having now no further use for my apparatus, juggling or other, I think I cannot do the House a better service than to take the apparatus to pieces and show them that there is really no deception, and to enable them hereafter, if there has been any juggling, to perform the self-same tricks for themselves. (Laughter.)

*The machinery of finance.*

"The year that has just passed has been one of extreme importance from the point of view of the apparatus of finance. In fact, I doubt if there has ever been a year in which so many and such important changes have been made in this respect. First of all we had the Retrenchment Committee, to the members of which I take this opportunity of expressing my sincere acknowledgments, whose sittings continued over a period of 13 months, who digested thousands of pages of notes, who dealt with reports of some subordinate or co-ordinate committees, and finally submitted a massive report of 292 pages themselves. I do not give these details of pages because I estimate their work by volume. (Hear

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[Sir Charles Toddhunter]

hear.) I only want to invite attention to the call that has been made on their time. Honourable Members may judge of the value of the work for themselves. From the point of view of the Government I should like to say that they put the whole of the administration under a microscope, that they made us justify every thing we were doing and were proposing to do, and having done that, caused us to regularise many matters that had for a long time needed it. Let me give one instance of the way in which they have assisted the administration of finance. I refer to our old friend, the allowances. There is no doubt that these had grown, over many generations, in number and complexity until it took some months even to trace them all and to discover their origins. The Committee arranged, rearranged, sorted and classified them, eliminated those that they thought unnecessary, regularised and put on a common basis those that they proposed to continue and finally reduced them to such a shape that the Government have been able to embody those that remain in a brief manual of 32 pages, and to check the recrudescence of the state of affairs with which the Committee dealt by an order that no allowance should be paid unless it first finds a place in this little book. And before I pass on from the Committee's labours, may I take this opportunity of giving expression to my own very great indebtedness and that of the Council and the Government as well, to Mr. R. W. Davies, the Finance Secretary (applause), without whose indefatigable energy and keen insight the enquiry could never have been brought to the satisfactory conclusion which it has reached?

" While this enquiry has thrown an immense amount of work on the Committee, it also involved an equal amount of work for the Government, who have been carrying on their examination of the proposals as they came in, and issuing orders from time to time, with the result that we hope to close the year 1924-1925, not with a

deficit of 19½ lakhs, but with a surplus of 11 lakhs, which will go to pay off the bulk of the dead-weight debt with which we opened the year.

|                                                                                                       |           |
|-------------------------------------------------------------------------------------------------------|-----------|
| (a) Deficit in the Revenue Account (Budget for 1923-1924) —                                           | Rs. 19.50 |
| As shown in the Civil Budget Estimates .. ..                                                          | 24.00     |
| Deficit—Expenditure on water-supply schemes (12-00) and grant to the Madras University (1-00) .. ..   | 13.00     |
|                                                                                                       | 11.00     |
| Add—Installment due in 1923-1924 for repayment of the Government of India's short-term loan .. ..     | + 8.00    |
|                                                                                                       | 18.00     |
| (b) Surplus in the Revenue Account (Revised Estimates for 1924-1925) —                                |           |
| As shown in the Preliminary edition of the Civil Budget Estimates for 1924-1925 .. ..                 | 10.00     |
| Deficit—Installment due in 1923-1924 for repayment of the Government of India's short-term loan .. .. | 3.00      |
|                                                                                                       | 13.00     |

[Sir Charles Todhunter]

[4th March 1924]

"While we were straightening out our own budget by economy, we were setting right those of the local bodies by giving grants on a scale which has not previously been equalled. We began the year by raising the subsidies to local bodies to a sum of about 1½ crores, and under the directions of the Hon'ble the Minister for Local Self-Government, his department, in correspondence with the Finance department, have been engaged throughout the year in a succession of efforts, which, I believe, has resulted in restoring these bodies, not only to solvency, but also to a position in which they can face the future with confidence. In the first place we adopted the suggestion of this Council to give a double grant for trunk roads, thus converting the payment from one in arrears into one in advance. We have made similar arrangements in respect of schemes on account of medical relief. We have also relieved the local bodies of a portion of the charges for their Engineering, Medical and Public Health staff. We have simplified the accounts for local boards and made arrangements for them to keep them themselves, at the same time undertaking to pay the cost of the accountants, and finally we have given them banking accounts so that they may know from time to time exactly how they stand, and that there can be no recurrence of the arrangements under which large overdrafts were incurred at the Government Treasuries nobody knowing how much they had to their credit or debit.

"At the same time we have greatly expanded the Local Fund Audit Establishment and have replaced the old arrangement under which the Treasury Deputy Collectors both kept the accounts and audited them by one under which the local bodies keep the books and the Local Fund Audit staff conduct a concurrent audit in the district.

"In the Development Department there has been a similar advance, again in close correspondence with the Finance Department, in the matter of placing of Government business concerns on a proper system of commercial accounts. The principles on which this could be done were first embodied by the Auditor-General in the new Account Code in 1922. Long before that, however, we had been busy trying to get the accounts of our own commercial concerns into order and in particular trying to get away from the system of Government accounts under which outgoings cannot be paid from income so that a Government business concern with a turnover of Rs. 1,000 a month has to budget not for Rs. 1,000, but for Rs. 12,000 as if its turnover was not turning over at all. The matter of converting these accounts into regular profit and loss statements was not an easy one, and we engaged in the first instance Mr. George, a specially trained officer from the Auditor-General's office, to help us in the matter. He was called away to

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[Sir Charles Todhunter]

Burma while he was half way through his work, and after trying without success to fill his place, we entrusted the continuation of the work to Messrs. Fraser & Ross, to whose assistance we are greatly indebted. We have now succeeded in securing the sanction of the Auditor-General to the introduction of commercial accounts in the case of five concerns, and we hope before very long to secure it in respect of quite a number of others. One result of this working is that we are writing back

Kerala Coop. Institute,  
Chalappam Coonery,  
Ottomam,  
Ramanthorpe Co-operative,  
Chennai Nagar.

part of the expenditure on the capital account of these concerns to loan money, since it represents revenue bearing assets. We are not, however, doing this to the extent to which I proposed last year. I then proposed to take credit for a sum of 29 lakhs, which was the then present capital value of our commercial concerns. I have since discussed the matter with the Auditor-General and on his advice am proposing only to enter up against the loan account the capital expenditure incurred since the Reforms, which amounts for the five concerns to which I have referred, to 8.27 lakhs.

" Meanwhile, we have been very busy with our own Account Manuals which, as I have already informed the Council, have had to be entirely re-written since the old Account Code and the Civil Service Regulations, which were framed by the Government of India for all India, have ceased to serve their purpose, and each province has been required to frame its own rules. So far we have succeeded in completing four sets of books. In the first place there are the Fundamental Rules, to which each local Government had to frame its subsidiary rules. Next there are the new Travelling Allowance Rules. Then we have the Allowances Manual, to which I have already referred, and the Budget Manual. We have now an officer on special duty dealing with the codes appertaining to the Public Works Department and we have also in hand the preparation of an Account Manual, a Devolution Manual and a Treasury Manual. All this, I would venture to impress upon the Council, involves an immense amount of work of an exceedingly trying kind. It is difficult enough, as Honourable Members who belong to the profession of the law are aware, to draft a section of an Act which nobody can get round. It is still more difficult to draft an article of a Financial Code that will not give room for some sort of a claim which was never intended to be met, and whereas it takes time and money for one suit to follow another on the same point, a successful evasion of an account rule seems somehow to be broadcasted throughout the Presidency and to produce claims like mushrooms in a single night. (Laughter.)

[Sir Charles Teddington]

[24th March 1924]

"There are many minor matters connected with the account machinery to which the general overhaul extended during the year.

I might instance the rules for calculating the rentals of Government residences and the accounts at the ports, especially Tuticorin and Cochin, in which we are endeavouring, in view of the large developments that are to take place there, to introduce a completely new set of books on the lines of those adopted in the Madras Port Trust. We have also made sundry changes, in consultation with the Accountant-General and the Finance Committee, in the manner of presenting the figures in the budget, which are explained in the Secretary's memorandum. This will further show the marks of much activity in the matter of adjustments with the Central Government.

*The debt of the Province.*

"I now pass on to the main piece of apparatus through which the suspected jugglery is practised—the box in which we are supposed to place a deficit and secure it with ropes and then after a few passes to throw down the front and show that it has disappeared. I only wish the trick were as easy as it seems. But so far as there is a trick, hon. Members will find the whole of the apparatus separated out and explained in the loans budget which forms part of the Finance Secretary's memorandum. I will try to explain it in a somewhat simpler way by word of mouth. Let me say then that we have, roughly speaking, three classes of loans, which I will call 'productive' loans, that is, loans that pay their way like the share capital of a business, secondly, 'posterity' loans or instalment loans, that is, loans which we expend on works of permanent public improvement with the intention of paying over a series of years, just as people do when they buy furniture on the hire purchase system, and thirdly, dead-weight debt, that is, money borrowed to keep the pot boiling. Now, as the House are aware, we have budgeted for deficits in the Revenue Account in five years in succession amounting to 75 lakhs in 1919-1920, 150 lakhs in 1920-1921, 87 lakhs in 1921-1922, 42 lakhs in 1922-1923 and 19½ lakhs in 1923-1924. In 1919-1920, we expected to start with an opening balance of 19½ lakhs and it would seem that we ought to have a debt of the difference between this and the sum of the deficits, which amounts to 128 lakhs. And when I tell the House that at the end of 1924-1925 we shall have no dead-weight debt at all, they will naturally suspect me of something like wizardry. Well, the explanation put shortly is this: that we obtained permission from the Government of India to borrow for various purposes; that hitherto we have not adhered to the amounts intimated to the Government of India for each class of loans; that we have succeeded, especially since the Retrenchment inquiry, in

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restricting our expenditure to a good deal less than our estimates; and that, when we come at the end of the period to review the position and classify our borrowings according to the purposes for which the money was spent, we find that we shall have at the close of this year either 'productive' or 'posterity' assets to cover everything except a sum of 2.57 lakhs. We propose now and hereafter to classify all our borrowings according to the purpose for which the money is actually used, so that any Member of the Council can tell at a glance from the loans budget what is the real financial position of the Presidency. And if Honourable Members will look at the loans budget now presented, they will see a classified list of works of legitimate capital expenditure on which money has been expended since the Reforms, together with an account of the money borrowed, leaving the result which I have explained. I might add that in making this classification we have had regard only to the money borrowed and spent since the Reforms, as I have explained in dealing with the capital account of our commercial enterprises. A few of these adjustments still require the sanction of the Government of India, but I believe that there will be no difficulty in securing that.

" Having gone so far in explaining our dead-weight debt, I think it may be well to explain to the Council what we owe under other heads. As they are aware, before the Reforms we owed practically nothing. Nominally we were debtors to the Government of India for what is known as the Provincial Loan Account, which is money lent again. But we actually had balances in the Revenue Account to nearly double the amount borrowed, and just before the Reforms we were advancing claims on the Government of India for interest on those balances, to be set off against the interest we paid on the Provincial Loans Account. When the Reforms came, the Government of India not only set down the whole of the amount (109.86 lakhs) outstanding in the Provincial Loan Account as owed by us, but also demanded the repayment of the same in a term of 12 years. This has involved us in a payment of  $2\frac{1}{2}$  lakhs a year. As we have not had balances to meet this payment, it has hitherto been met by fresh borrowing. In other words, we have lent borrowed money as before, but it includes short-term loan money borrowed at a comparatively high rate of interest in lieu of part of the old account on which we pay at an average rate of 4.51 per cent. Meanwhile, we have greatly increased the amount of the Provincial Loan Account, owing to increased lending to agriculturists, local bodies, harbour authorities and others, and actually have now a sum of 223.09 lakhs outstanding on this account, or more than double the sum with which we began. In respect of all this, however, there are others responsible to us for

[Sir Charles Teddhamer]

[4th March 1924]

the ultimate repayment, and generally speaking we recover the interest in full. The exceptions are the cases in which we have lent at favourable rates of interest, as for instance, to areas that have been inflicted with flood and famine, in which the difference in interest is a charge on our revenues.

"The next item of indebtedness is the capital account of our irrigation works. These works were for the most part paid for by the Government of India out of revenues which, we might claim with some justice, were our revenues. When, however, the Government of India found themselves compelled from time to time to borrow money to meet famine and other expenditure, they wrote back the money borrowed against the capital account of the irrigation works, with such success that at one time they had practically no ordinary debt left. Then when the Reforms came, they passed on the whole of the capital account which had thus accrued to the provinces and we became their debtors in a sum of 875 lakhs. This is an irredeemable debt with the interest on the greater part fixed at 3.33 per cent. Since the Reforms we have added to it by borrowing for irrigation works ourselves a sum of 26 lakhs, on which of course we pay a higher rate of interest. This is exclusive of other borrowings for irrigation which will have to be treated as redeemable, because there are works which do not pay full interest on their capital cost. I may instance one that is in the budget for the coming year, namely, the Rollavaga project in the Karnool district, which will never be a full revenue-bearing asset, the anticipated return being only  $2\frac{1}{2}$  per cent.

"The next class of loan expenditure is that on permanent works of public utility. And here I am bound to confess a departure, which I hope will only be temporary, from the strictest path of financial propriety. It is perfectly correct that we should require posterity to pay their share for a large permanent benefit such as a hospital or a university. It is much more doubtful whether it is right to impose upon them charges for works that are not expected to last for many generations, such as police buildings. It would be much better that these should be paid for from the revenues for the time being. However, we are at present borrowing for such a short period, namely, 15 years, that the instalments due on works constructed now will fall to be paid by this generation, and we hope that by the remission of our contributions they may be paid much sooner than that. We have, therefore, after consulting the Finance Committee, decided, pending the remission of the contributions, to allow permanent works of a cost of not less than Rs. 50,000 to be met out of loan money. And this decision has enabled us to increase the sum of such money available for schemes for 1924-1925 by about 8 lakhs. As soon as the contributions are remitted, I hope

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we shall make a point of paying back these loans and raising the limit, say, to 5 lakhs per scheme. The total of our commitments on what I have called 'posterity' loans, including what we propose to spend next year, is 51 lakhs.

"To sum up, we shall at the end of 1923-1924 owe nominally a total sum of 1,178 lakhs. Of this, 875 lakhs represent an irredeemable loan at a low rate of interest invested in irrigation works which much more than pay their way. Thirty-six lakhs more relate to irrigation and other productive works which more than pay the interest on the loan. Two hundred and twenty-three lakhs are lent again to other people who are responsible for capital and interest. There remain 39 lakhs. Of this, 34 lakhs are invested in permanent works of public utility. We propose to close the year with a sum of 3, or to be exact 2.57 lakhs, left out of the sum borrowed to keep the pot boiling and we propose to make the repayment of that small amount one of the first charges on the revenues of 1924-1925. When that has been paid, I think we shall be able to say that all is clear.

*Revised Estimate for 1923-1924.*

"So much for what we owe. I come now to the year which is just drawing to a close. We started expecting a deficit of 18½ lakhs of rupees, and if our budget had really been a gamble in rain, we should have more than doubled our anticipated loss. The south-west monsoon began late, and though it gave heavy rains on the West Coast, was deficient elsewhere, especially in the central districts, which received only about half the average. The total area cultivated up to the end of September 1923 was less than the average and below that of last year.

"The north-east monsoon commenced in time and the fall in October was generally good. The later rains were, however, unsatisfactory, especially in the Deccan and central districts, which were looking anxiously for rain to mature their dry crops, and, soon after, the season took such a decided turn for the worse that famine-relief works had to be opened both in the Bellary and the Anantapur districts, while the conditions in six other districts are far from satisfactory. While the Ceded Districts suffered from paucity of rainfall, excess was the cause of widespread havoc elsewhere. First of all, South Kanara suffered from floods which wrecked 12,860 houses, covered with earth a large extent of paddy land, carried away three big bridges and several smaller ones and caused much further destruction. The next disaster was at the other extreme of the Presidency, in Ganjam and Vizagapatnam, where a cyclone on a scale unknown since 1878 broke up the railway in many places, breached tanks both Government and zamindari in all parts of the districts (the Government tanks affected in Ganjam alone being

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274), and did widespread damage to buildings, roads, trees and crops. We had scarcely begun to take account of this when another disaster was reported from Tinnevely where the river Tambraparni had overflowed its banks, destroyed 1,595 buildings and damaged about 480 irrigation works.

"What the total cost of these disasters to the unfortunate inhabitants of the districts concerned must have been we have as yet little accurate idea. For the moment we are concerned with the effect on the public finances, in respect of which the whole year has been one long ding-dong struggle between economies on the one hand and new and unexpected items of expense on the other. Flood, famine and bad seasons have been the principal causes of a loss of 28 lakhs of revenue. They have also involved us so far in an expense, roughly of 3 lakhs, with a bill of several times that amount to follow in the ensuing year. We have further had to find 8½ lakhs for the Pindari, in addition to other expenditure we had not reckoned on, including 1 lakh for the visit of His Excellency the Viceroy. On the other hand, there was a windfall of 10½ lakhs, being recoveries from the Income-tax Department for work done in the assessment of income and the collection of taxes. This figure is taken as a deduction of charge under the expenditure head General Administration. We have also made savings in almost every department; General Administration and Land Revenue yielded 13 lakhs, the Public Works Department (excluding Grants-in-Aid) 3 lakhs, Jails 4 lakhs, Police (excluding the Pindari) 12½ lakhs, Law and Justice 3½ lakhs, Forest 3 lakhs, Excise, Agriculture, Industries and Education, each 2½ lakhs; other departments contributed a net amount of 4 lakhs. The net result is a total saving of 58 lakhs and a betterment\* of 30 lakhs, as a result of which we are able to close the year, not only without any deficit, but with a reduction by 11 lakhs of the dead-weight debt that was outstanding against us at the beginning of the year.

|                                                                                                                              | Budget,<br>1923-1924. | Revised,<br>1923-1924. | Betterment (+)<br>or<br>Worsening (-) |
|------------------------------------------------------------------------------------------------------------------------------|-----------------------|------------------------|---------------------------------------|
|                                                                                                                              | LAKHS.                | LAKHS.                 | LAKHS.                                |
| (A) Total revenue .. .. .                                                                                                    | 1,287.12              | 1,268.55               | -18.57                                |
| (B) (1) Total expenditures .. .. .                                                                                           | 1,311.71              | ..                     | ..                                    |
| (2) Deficit expenditure to be met from<br>loan money (17 lakhs for water-<br>supply schemes and 14 lakhs for<br>university). | -13.54                | ..                     | ..                                    |
| (3) Total expenditures from current<br>revenue.                                                                              | 1,298.17              | 1,268.55               | + 29.62                               |
| (C) Surplus (+) or Deficit (-) .. .. .                                                                                       | -11.65                | + 19.97                | + 31.62                               |
| (D) Deficit lentended due to short-term<br>loans.                                                                            | - 8.42                | - 7.46                 | + .96                                 |
| (E) Net surplus (+) or deficit (-) .. .. .                                                                                   | - 19.91               | + 31.67                | + 51.58                               |

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"Honourable Members will, I think, realize from these figures what I meant the other day when I compared the work of the Finance Department to that of Sisyphus in its unending struggle to roll the stone of the finances of the Presidency up the hill of prosperity. They will see how unceasing has been the struggle throughout the year to make a little way up month by month, and how one unforeseen factor after another has set the stone rolling down again. We started 80 points from the top and we have at least the satisfaction of looking back on 27 points gained. We are now less than 3 points from the summit and I feel sure that, if we continue the struggle, we shall be able to reach that blessed consummation in the course of 1924-1925.

*Budget for 1924-1925.*

"I come now to the year 1924-1925, in which we estimate for a revenue of Rs. 1,674.77 lakhs and an expenditure of the whole of the revenue and in addition, of a sum of 43 lakhs of loan money on capital works. The details of these heads are explained in the Secretary's memorandum, which also contains a complete list of the new works which we propose to undertake.

"The principal increases in *revenue* are expected under the heads of Land Revenue and Stamps. It is possible that these may seem optimistic. Under the former, we have in the main adopted the figures supplied by the Board of Revenue, which seem to have been worked out with the greatest care. Under the latter, we anticipate a normal increase following the set-back which is always the immediate result of an increase in taxation. On the other hand under Excise, where we have already provided for a fall in revenue by 6½ lakhs, the figures of the auction sales which were received only yesterday, suggest that we may have to face another reduction of a like amount.

"Under *expenditure*, I need not trouble the Council with the

|                                                                                                           | LAKHS. | details of the items that have already been before it for its sanction. It is sufficient to say that the total of what we now understand as the <i>standing</i> <i>expenditures</i> for the year is less by 65 lakhs than the total budget for the year 1923-1924. This is a result which is due practically entirely to the retrenchments. |
|-----------------------------------------------------------------------------------------------------------|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Expenditure—                                                                                              |        |                                                                                                                                                                                                                                                                                                                                             |
| (A) Budget, 1923-1924                                                                                     | 1,698  |                                                                                                                                                                                                                                                                                                                                             |
| (B) Revised                                                                                               | 1,640  |                                                                                                                                                                                                                                                                                                                                             |
| (C) Budget, 1924-1925—                                                                                    | 1,433  |                                                                                                                                                                                                                                                                                                                                             |
| (i) Part I                                                                                                | 15     |                                                                                                                                                                                                                                                                                                                                             |
| (ii) Repayment of short-term loans and additional repayment including the dead-weight debt of 2.57 lakhs. |        |                                                                                                                                                                                                                                                                                                                                             |
| Total of (C)                                                                                              | 1,648  |                                                                                                                                                                                                                                                                                                                                             |

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|                                    | LAHRS. |
|------------------------------------|--------|
| (D) Revenue (Budget for 1924-1925) | 1,675  |
| (D)—(C) ... ..                     | 27     |
| C (i) minus (A) is ... ..          | 65     |

In fact, the reduction would have been greater but for the operation of certain causes of which the Council are well aware, such as the steady

increase in the cost of salaries, which follows on the introduction of the incremental system, which alone is responsible for an increase of about 11 lakhs. When these standing sanctions and the amount required for repayment of debt have been deducted from the revenue, we find ourselves with a sum of 27 lakhs available for expenditure on new schemes, to which we have added another 43 lakhs of loan money to be spent on capital works (23 lakhs for works in progress and 20 lakhs for new works), making a total of 70 lakhs. Out of this, we begin by setting aside 7 lakhs for 'Unforeseen expenditure,' the reason being that we have not yet received estimates for a large amount of the flood damage which we shall inevitably have to meet and which we can only meet under supplementary grants, and that, as the Syndicate which is only three days old has not yet begun to function, we have not yet received any definite demand for new schemes from the University and must therefore keep some money in reserve to meet that demand when it comes. This leaves a sum of 63 lakhs, including 24 lakhs for schemes in progress, to be distributed over the departments. This distribution is the most difficult work of the year. How difficult it is the Council will realize when I tell them that we had no less than 298 new schemes, covering an ultimate expenditure of 134 lakhs, competing for shares of the money. I will not detain the Council with a discussion of all that was proposed in these 298 schemes. They will find them, if they are interested, in the proceedings of the sixth to seventeenth meetings of the Finance Committee, which have been laid on the table. It will suffice to state by departments which are those that draw prizes in the competition.

"The following is a brief catalogue:—

"On the reserved side, *Irrigation*, as is only right, comes in for the largest measure of expansion, amounting to a little over 13 lakhs, the bulk of it being loan money for productive works. Of this the largest item—about 4\* lakhs—is for the installation of higher shutters over the Kistna Anicut. Another important work which I have already referred to is the reservoir at Bollavagu. The details of the other works will be found in the Secretary's memorandum. I am assured that they are all very necessary

\* The allotments for shared items include charges for Establishment and Tools and Plant.

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expansions or alterations of existing systems if there is nothing in them to excite the imagination. My hon. Colleague hopes to do that in the course of the year by making a start with the Metur and Sangameswaram projects, as for which we hope loan money will be forthcoming when the plans are ready and sanctioned.

" *General Administration* secures 3.89 lakhs, of which 1.84 \* is for quarters for clerks and officers in the City of Madras and .19 for quarters for the Deputy Tahsildar, Kudala, 1.14 is for the long-postponed bifurcation of the Kistna district, .15 for jansabandi allowances to karnams in proprietary areas and .12 lakh for alteration to the second floor of the Secretariat buildings.

" *Forests* secures 2.84 lakhs, of which the greater part is for the proposed new sawmill at Olavakkote. Minor items are the formation of new ranges in the Wynand and South Mangalore divisions, fire protection in the Nilgiris, and the erection of a house for the District Forest Officer at Vellore.

" *Police* secures 2.65 lakhs, of which 2.31 \* is for buildings, mainly houses for constables. Of the remainder .11 is for the reclamation of the Kallars in the Madura and Tanjore districts, .11 is for the police share of the bifurcation of the Kistna district and .09 for the construction of a staff boat for the Superintendent of Police, Kistna.

" *The Labour Department* receives 2.31 lakhs for expansion of its activities, including .60 for opening additional schools, .75 for wells, .25 for pathways, .25 for sanitary improvements in paracherries in the Madras City and .23 towards the reclamation of the Kallars.

" *Jails* get 1.80 lakhs, of which 1.55 is for transport and accommodation of prisoners whom the Government of India are sending back from the Andamans to be housed in the Madras Presidency, .15 is for providing electric lights to the Barisal Institute at Tanjore and .10 for improvements to the cell doors in the Palamcottah jail.

" *The Agency Tracts* receive an allotment of 1.32 lakhs, of which .97 is for road works and .30 for beginning the construction of a bridge over the Kollab river on the Anantagiri-Jeypure road.

" *Administration of Justice* receives .57 lakh, of which .12 is for additional District Munsifs' Courts in the Kistna and South Kanara districts, .18 \* for building District Munsifs' Courts at Gooty and Taraipur, .13 for record racks in the High Court buildings and .10 \* for starting the construction of a separate building for the Court of Small Causes, Madras.

\* The allotments for starred items include charges for Rehabilitation and Tools and Plant.

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" The *Land Revenue Department* secures '32 for the purchase of a rotary off-set machine for the Survey Office.

" The total allotment for **RESERVED** departments amounts to 23 lakhs.

" Turning to the **TRANSFERRABLE** departments, the total allotment is 35 lakhs. The largest item is 14.93 lakhs for water-supply and drainage schemes, made up of grants of 6.50 to the Madras Corporation and 8.43 to municipal municipalities. The most important items to be met out of the latter are 3.65 for Tuticorin, 2.50 for Coimbatore, .75 for Tiruvannamalai, .50 for Srirangam, .40 for Chingleput, .33 for Nagapattinam and .25 for Palacole.

" Next comes an allotment amounting in all to 8.93 lakhs for **Medical**. Of this sum 5.27 \* is for medical buildings, made up of 2.27 \* for the Marina Hospital, 1.45 \* for the Vinnagapattinam Hospital, .31 \* for the Coimbatore Medical School, .19 for a new out-patient dispensary at Vellore and .15 for the Madras Mental Hospital. Of the remaining allotment of 3.66, 1.63 is for prepayment of grants to local bodies for maintenance of medical institutions, .25 is for additional grants to local bodies for medical buildings, .21 is for opening second year classes in the Medical College, Vinnagapattinam, .12 for additional grants to private hospitals, .11 for the medical part of the bifurcation of the Kistna district, .12 for an intensive educational hookworm campaign, .16 for new furniture for the General Hospital, .12 for training of X-Ray staff, and .08 for contribution towards investigation of Kala Azar which the Government of India has set on foot.

" **Education** receives a total allotment of 5.61 lakhs. Important items are 1.34 for additional building and hostel grants to private institutions, .25 for additional equipment grants, .34 for additional subsidies to local board schools for net cost and equipment, .50 for boarding grants to Indian orphanages, 1.32 \* for improvements to the Undah Bagh buildings, .40 \* for a new building for the Municipal High School at Bellary, .29 \* for building a hostel for the Industrial School, Ranipet, and .29 \* for Training School buildings at Cuddalore.

" For **Roads and Bridges**, local bodies receive 3.54 lakhs. Important items are grants of—

" (a) 1.66 to the Malabar District Board for bridges across the Panampuzha, Pulamanzhale and Narungampalle rivers;

" (b) .60 to the Nilgiri District Board for reconstruction of the Teppakuda bridge and repairs to Nalghini Ghat road, the Gudalur-Vayitiri road and the Gudalur-Mysore road;

\* The allotments for starred items include charges for Estimates and Plans.

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"(c) '50 to the Chittoor District Board for the bridge across the Swarnamukhi ;

"(d) '61 to the Trichinopoly District Board for bridges across the Amaravati, Marudayar and Mamundiayar, and for a road from Kannanur to Thanthayyangurpet ; and

"(e) '14 to the Tuticorin Municipal Council for the construction of a bridge and weir across the Upper Odai.

" *Industries* secure 1·97 lakhs. The main items are '89 for the purchase of hand-boring sets and tools and power drills, '36 for equipment and additional building grants for industrial schools, '25 for the lace industry, '19 for the construction of a compound wall for the Industrial Engineer's workshop, Madras, and '07 for repairs and improvements to the Korala Soap Institute.

" *Agriculture, Veterinary and Co-operation* receive '45 lakh, of which '30 is for the Co-operative Department, the principal items being posts for Honorary Assistant Registrars ('18) and additional Co-operative Inspectors for the Labour Department ('10). In the Agricultural Department a provision of '09 has been made for increase in the teaching staff of the Agricultural College ('04), the opening of five new demonstration plots ('03) and the popularisation of agricultural implements ('02). A provision of '07 has been made for the opening of three new veterinary dispensaries.

" I do not, for a moment, suppose that the sanctioning of these schemes will satisfy the desires of hon. gentlemen who wish to see progress made in numerous directions. But I do hope that I shall have their concurrence in feeling that it is better to go without more expenditure next year than to spend more at the cost of another deficit, and I hope that I shall further have some consolation to give to those hon. gentlemen who have been inclined to think that we have been unfair to the Transferred departments in the distribution of funds. The figures have been supplied in answer to a question by Mr. Yahya Ali—(I am not sure whether they have been distributed to hon. Members)—and have already been referred to casually in connexion with the debate on the No-Confidence Motion. It was said there that there had been an increase of 1 per cent every year in the allotment of funds to the Transferred departments and a decrease of 1 per cent every year in the allotment to the Reserved departments. And some hon. gentlemen were inclined to regard the smallness of this percentage as something very disappointing. I hope, however, that when they realise from the figures which have been placed on the table that 1 per cent meant an increase in years of deficits in the expenditure of the newest departments by no less than 43 lakhs, they will be inclined to look with less disparagement on this transfer of 1 per cent. May I add

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that a reference to the figures for other Provinces would further help to satisfy them that Madras has not been ungenerous in the matter? Looking at the matter from the point of view of percentages, there is only one other Province, the Central Provinces, in which a similar transfer has taken place. On the other hand, if we take a neighbour of ours, which has been held up to us as an example for its readiness to spend money on nation-building, the budget figures of the current year, so far as I am able to follow them, seem to show that the increase of 43 lakhs in this Province as compared with a decrease of 45 lakhs in Bombay. I might add that an examination of the figures for 1924-1925 on the same basis (which is of course that of the budget heads, no more exact calculation of details being possible) will show that this steady transference of funds continues, the percentages on the budget estimate being 65 and 35, respectively, as against 68 and 32 at the commencement of the Reforms.

*The future.*

"Sir, it was my intention, in bringing this presentation of my sixth and last budget to a close, to ask the House to join with me for a few minutes in a brief retrospect of the road we have travelled in these last five busy, whirling years. But, Sir, the events of the past few days show that it is no time to sit down recounting the events of the past. The prospect is more important than the retrospect. There is a decision of momentous importance before the country and we must gird up our loins to play our part rightly therein.

"It has been said that the choice put before the Assembly is one between a salt tax of Rs. 1-4-0 and one of Rs. 2 a maund. I shall put the choice later in another form, but would ask leave to refer briefly to the question of the salt tax first. I will not at this point weary the Council by references to show that India is by no means the only country that pays such a tax. Nor will I, as I well might, quote figures to substantiate the statement of the Secretary of State that the burden is infinitesimal, or that of the Finance Member of the Government of India that there is no evidence of any reduction in consumption as a result of last year's increase in rate. Nor will I pause to show that the rise in the price of this commodity introduced by the duty is little, if anything, more than that introduced by economic conditions in the case of other necessities. Nor will I at this time expatiate upon my own pet theory that, now that the Government of India have taken the production and distribution of salt under a uniform system of control, there is every reason to hope that a better regulation of production and distribution

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and the ensuring of a supply to every market at a fair price on a co-operative basis instead of on competition will result in a reduction of the retail price, almost if not quite as large as the difference between the two figures of duty which are in question. I recognize, Sir, that the matter is one of sentiment rather than of economics, and I recognize that in Indian politics we must treat sentiment as a very potent factor. But, Sir, I would ask whether this sentiment is one which has really penetrated the minds of the poor people, who are the people mainly concerned. And in finding an answer to this question, I would venture to tell the House of an experience of my own in the course of an attempt to evoke a sentiment in the opposite sense in respect of the very same matter. It occurred some twenty years ago when a reduction of the salt tax was, if I remember rightly, one of the boons given to the poor people in commemoration of the accession of King Edward VII, and District Officers were instructed to make the nature of this boon clearly known to the people of the districts whenever opportunity offered."

12-45 p.m.

MR. C. RAMALINGA REDDI:— " May I know, Sir, what the rate was at that time ? "

THE HON. SIR CHARLES TODHUNTER:— " I cannot say, Sir, without consulting the records. But we were directed as District Officers to announce this boon and see that it was understood by the people that it was a boon in connection with the accession of King Edward VII. "

" My opportunity arose at a jamabandi camp, where I had the proclamation read to a group of village officers and villagers. It evoked no response whatever. I tried then to see if I could not get better results by the Socratic method, and I asked what was the price of a *pad* of salt last year. "

" They said ' One anna three pies ' . "

" What is the price now ? " "

" One anna. " "

" What is the cause of the reduction ? " "

" Your Honour's goodness. " "

" The boon was given by some one above me. Who is above me ? " "

" The Sircar. " "

" The boon was given by some one above the Sircar. Who is that ? " "

" The Parliament. " "

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"The boon is given by some one above the Parliament. Who is above the Parliament?"

"The villagers looked extremely puzzled at this, until one old karnam, drawing on his own experience of omnipotence, answered for the rest: "The Board of Revenue." (Laughter.)

Mr. C. RAMALINGA REDDI:—"I do not wish to interrupt my hon. Friend, but will he explain how, if the consumption of salt has not decreased, the revenue that was anticipated at the highest rate has not been realized?" (Cries of 'Order, Order'.)

The hon. Sir CHARLES TODHUNTER:—"That has already been explained by the hon. Sir Basil Blackett. We all know that when these changes take place, prior to the increase of the rates, the merchants rush out of bond as much as they can get on payment of the lower rate. When a fall is expected they make no remarks but run down their stocks of duty-paid salt to a minimum.

"Well, Sir, I do quite seriously venture to suggest that if certain prominent politicians succeed in securing a majority for a reduction to Rs. 1-4-0 instead of Rs. 2, the amount of it that will reach the villager will be so small as to be practically inappreciable and the fame of the great men who secure the reduction will be as the fame of King Edward was to my *forefathers* assembly.

"But as I said, the question in essence is not really one between a salt tax of Rs. 2 and Rs. 1-4-0. It is a question whether the Rs. 1½ crores in issue should be paid by three provinces or by the whole of India. Here again, Sir, I am tempted to enlarge on the whole question of the battle of the contributions. But it is unnecessary because, if the representatives of the provinces in question stand firm, the battle is already won. I do, however, ask Honourable Members to consider what has been the effect upon the three provinces as compared with the rest of India of the exactions of the past three years. Let me in a spirit of humble envy review the budgets of Bengal and Bombay. Both have raised their stamp duties but only as a temporary measure. Their other new taxes are on amusements. In both cases the revenue for 1924-1925 exceeds the expenditure, in one case by half a lakh and in the other by six, but both have still large unexhausted balances in hand, amounting in one case to 123 lakhs and in the other to no less than 436 lakhs; and Bombay while spending on 19 millions of people 1,403 (a) lakhs, as against 1,512 (a) lakhs available for expenditure on the 42 millions in Madras, does not feel itself secure with less than two crores in the treasury. Let us now look to the contributing

(a) After deducting Provincial contributions to the Central Government.

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provinces. The United Provinces have added to the duty on stamps a tax on motor-cars and the Punjab an increase in water-rates. The United Provinces make revenue cover expenditure, if their new taxes are renewed, by 12 lakhs, but the Punjab, in spite of the enormous wealth of its canal colonies, is the one province in India which again closes the year with a deficit; while as regards balances on hand, both have apparently been in the position not only of expending the sums with which they opened the Reforms, but of drawing on loan money for current expenses in the case of United Provinces to the tune of 111 lakhs.

"With the sad tale of Madras we are all familiar. We have imposed our new taxes on a permanent basis. We have made a larger increase in the registration fees than most of the other provinces that made an increase at all. We have had a continual retrenchment inquiry going on practically for the whole of the three years and the only comments we have so far received upon the final report are that our proposals go a good deal too far. We have budgeted for deficits in every one of the three years, and if I am able to declare, as I did in opening my speech, that we are at last 'all clear' for 1923-1924 and 1924-1925, that only means that the retrenchments have just rescued us from bankruptcy and that we are carrying on, just solvent, but in a head-to-mouth way by the forbearance of my hon. Colleagues to one who is soon to retire, by the adoption of such devices as that of lowering the limit for works to be charged to capital, and, as His Excellency the Governor said in one of his recent farewells, by the stoppage of all practical development.

"Sir, I do very earnestly ask all who can bring any influence to bear in this matter to look at the picture of the actual circumstances of the contributing provinces and the others, before they allow any sentiment, however powerful, to weigh in favour of the taxing of the three provinces in preference to the taxing the whole of India. May I say further that I sincerely hope from the speech of the hon. the Finance Member of the Government of India that the time will very soon come, if his proposals are accepted now, when the question will be a question not solely as between levies from three provinces and a 12-annas on salt for the whole of India, but a question of a raising from some other source the money that must go to replace the contributions?

"Lastly, I would ask hon. Members to look at one further aspect of the choice that is offered to the Madras representatives in the Assembly. So far as this Presidency individually is concerned, it has a choice between Rs. 80 lakhs for crying needs and an

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infinitesimal reduction in the price of salt, the sum total of which would amount to a sum far less than Rs. 80 lakhs. It is ill counting your chickens before they are hatched, but I do think that hon. Members ought to know something of the schemes that have been rejected, to which these 80 lakhs, if sanctioned, would be immediately applied. I have already mentioned the wiping out of Rs. 51 lakhs of unproductive debt. I have already mentioned the districts suffering from flood and famine, for which the provision made is wholly inadequate and for which at least another ten lakhs is likely to be required. I have told the House that we had presented for examination by the Finance Committee no less than 298 schemes, schemes all of them ready for execution at once, schemes necessary for the country, schemes many of which have been waiting for years. Let me take a few of the more prominent.

"My hon. Colleague, the Minister for Education, asked for Rs. 6-60 lakhs for the purpose of making a tentative beginning with the education of the masses. He proposed the very humble sum of Rs. 10,000 for the provision of a midday meal for pupils of the depressed classes. He presented no less than 51 schemes, for which funds could not be found, for girls' schools, training schools, Muhammedan schools, improvements in colleges, increase in the staff of the educational service and improving the courses of special education. Meanwhile, the grants to private managers have been starved for the third year in succession, provision has yet to be made for the medical inspection of schools, and the Andhra University is waiting for the Greek Kalends. My hon. Colleague, the Minister for Local Self-Government, was compelled to let go 18 schemes for improvement in respect of medical and public health matters, and again the poverty of funds has involved the starvation of private effort. Nor need I remind the hon. Members of Council, who are connected with local bodies, that it is only by an enhancement of their local rates and then by a most desperate struggle it has been possible to make their budgets balance. My hon. Colleague, the Minister for Agriculture and Industries, abandoned 52 schemes, and again private effort, which in the matter of industrial education is so specially valuable, has had to suffer. I might add, to let hon. Members into one of the secrets of our Cabinet discussions, that it was only the striking out accepted by the Finance Committee, that enabled us to balance the budget at all. I will not refer here to schemes in the Reserved departments, because, as has been recognized throughout, once we secure a remission of the contributions, the Transferred departments

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are to have the first claim (hear, hear) and the claims of the Transferred departments would eat up any money that there is to spare several times over."

Mr. C. RAMALINGA REEDY :—" What about the reduction of the taxation recently imposed ? "

The hon. Sir CHARLES TODDHUNTER :—" It may be open to the hon. Gentleman to propose that, and to propose the rejection of the schemes which I am now referring to, if he considers these schemes less worthy.

" But I might perhaps remind the Council that we are expecting soon to receive sanction for the Motor scheme, that what appears to be a satisfactory plan for cleansing the Cozum has at last been devised, that numerous schemes of railway development are only waiting for funds, that the Police are still unhoused, that the Jails are still unreformed, and that there are innumerable offices in which public work is being done of which it is reported that they are a disgrace to a civilized government. I ask hon. Members who regard this matter as one entirely of sentiment to consider whether really in the estimation of the villager it is better to have this almost imperceptible decrease in the price of salt, a sum which will affect the villager to the extent of less than 2½ annas in the course of a year, or to have a school for his boys which will make better men of them for life.

" Finally, Sir, I would ask hon. Gentlemen to realize that the rejection of the offer now means rejection not for one year, but for two at least and possibly for ever. A salt tax of Rs. 2 now means an addition to the Provincial revenues of Rs. 80 lakhs a year in perpetuity. A salt tax of Rs. 1-4-0 means casting the whole matter back into the womb of the future. If this is the decision, we can hope for no reduction until some other turn of Fortune's wheel gives the Government of India an equal sum to distribute. And in the changes and chances of present day politics, who knows when that turn of the wheel will come, or when it comes whether the Assembly of the day will give Madras the advantage of it ? Sir, I am laying down my office in a few short weeks, after years of hope deferred, of grinding economies and of that most distasteful and distressing of all forms of work, retrenchment. I am leaving the Presidency which has been my home for a third of a century, the old benighted Presidency which has been struggling for long long years out of its benightedness towards the dawn, and now has flashed before it this bright vision of the perfect day. I can have no hope of sharing in the realization of the vision, but there is no