

PAPERS LAID ON THE TABLE

STATEMENT SHOWING THE DECISION
TAKEN BY GOVERNMENT ON THE
REPORT OF THE PART B STATES
(SPECIAL ASSISTANCE) ENQUIRY
COMMITTEE.

THE MINISTER FOR PRODUCTION (SHRI K. C. REDDY): Sir, on behalf of the hon. Dr Kailas Nath Katju, I beg to lay on the Table a copy of a statement showing the decision taken by Government on the Report of the Part B States (Special Assistance) Enquiry Committee [See Appendix VI, Annexure No. 177.]

MINISTRY OF WORKS, HOUSING AND SUPPLY NOTIFICATION DATED 9TH OCTOBER 1953 UNDER THE REQUISITIONING AND ACQUISITION OF IMMOVABLE PROPERTY ACT, 1952.

THE MINISTER FOR WORKS, HOUSING AND SUPPLY (SARDAR SWARAN SINGH): Sir, I beg to lay on the Table a copy of the Ministry of Works, Housing and Supply Notification No 5998-EII/53, dated the 9th October 1953, under sub-section (2) of section 17 of the Requisitioning and Acquisition of Immovable Property Act, 1952 [See Appendix VI, Annexure No. 178.]

THE SALT CESS BILL, 1953—
continued

SHRI H P SAKSENA (Uttar Pradesh) Mr Chairman, when the Council adjourned last evening I was speaking on the Salt Cess Bill and I had covered only a small ground when the time of the sitting terminated. In my speech last evening I said that according to the heritage left by Mahatma Gandhi, salt should be as free as the air that we breathe and yet I was confronted with a Bill which seeks to impose, or attempts to continue the cess on the manufacture of salt

[MR. DEPUTY CHAIRMAN in the Chair.]

But we are unfortunately not completely following most of the things left to us as legacy by the great Mahatma This Bill probably comes

under that. I find that in clause 1 there is a perennial exception that this Bill would apply to the whole of India except the State of Jammu and Kashmir Since it is a delicate matter as pointed out to us so many times by the Prime Minister, I will not touch it. I will only submit that if every time we pass a law here in this Parliament for the whole of India, we make an exception in the case of the State of Jammu and Kashmir, our claim on that State becomes weaker and weaker This is the only submission that I have to make.

In spite of the very lucid exposition given by the hon Minister-in-Charge regarding the provisions and the manner in which he explained the self-explanatory Bill I cannot reconcile myself to two types of cesses on salt, "(a) in the case of section 3 that is in the case of salt manufactured in a private salt factory, at the rate of two annas per standard maund; and (b) in the case of salt manufactured in a salt factory solely owned or solely worked by the Central Government, at the rate of three and a half annas per standard maund" Now, Sir, the hon Minister claimed in his speech that the cost of manufacture in Government-owned factories was less than in private-owned factories Why, then, this higher levy? I would like to know that Any amount of money that you increase in the matter of cess, goes to raise the price of salt. And, since Government salt would be preferred by the consumers—because it is Government salt—the price of the salt used by the poor consumer will have to be more. I do not understand the difference between the two types of cesses

Now, Sir, there is the Indian proverb that "those who eat the salt of another person should always be—I find some Opposition benches here are vacant—loyal to the person whose salt they eat" This proverb is so very well-known that each one of us is throughout our life cautious and careful not to betray the cause of that individual whose salt he has eaten.

Similarly, Sir, I would appeal to my friends on the Opposition benches—they are conscious of the fact that they are always eating the salt of Mother India—that they should be loyal to the country to which they belong, and they shall continue to be loyal to the country whose salt they continue to eat

Now the hon Minister spoke of the importance of the steps which this Bill will introduce in the manufacture of salt which I call a cottage industry. There will be zonal schemes formed. But abuses have also crept into this. There are still abuses in spite of the law, people are clever enough to see how to by-pass the law. There is a limitation that no one can work singly more than ten acres of land for the production and manufacture of salt, but there are people who take plots of nine acres piece them together, assemble them and infringe the law. So I think the hon Minister will see to it that these abuses disappear very soon. We find that somehow or other, in spite of that Moral Re-armament Army, called the M.R.A. our moral side is growing weaker and weaker, even to the extent of indulging in petty mental thefts. We have forgotten the four pillars of virtue and piety known as toleration, patience, forbearance and compassion. Somehow or other if we take a lesson from even petty things not to violate the laws made by our own men and follow them and honour them to the best of our ability, we can regain our moral spirit.

When speaking for my learned colleagues of this House, I may remind them that if under the Chairmanship of the greatest philosopher-statesman of the age, we do not regain our lost morality, no opportunity like this will, in our generation at least, recur.

Speaking about sub-clause (b) (iii) of clause 4 under which the grades of salt are to be fixed I would like to know who would fix these grades. Surely, Sir, the officer who is put in charge of this work should be a very

honest man, and a man of very great character and integrity. Otherwise, it would be quite an easy thing for lifting up the grades of salt in return for a certain monetary gratification.

Similarly Sir with regard to clause 4(b) (iv) "promoting and encouraging co-operative effort among manufacturers of salt", I feel that no better provision could have been embodied in this statute. It is of the greatest importance to promote and encourage co-operative effort among the manufacturers of salt themselves, because, in this age of co-operative effort, no industry, cottage or large-scale can be left to individuals, and if it is so left, the results will be very poor.

This field of salt manufacture provides us a vast and expansive field for the export of salt and thus enable us to earn a lot of foreign exchange because in this great and big country of ours, there is immeasurable scope for the manufacture of salt much over and above our own requirements.

In the last clause, last sub-clause, 6 (e) (iii), it is provided that "in respect of salt utilised in the manufacture of any other product of industry", there may be an exemption. I do not understand why in the case of big industries which earn lakhs upon lakhs of rupees of profits annually this exemption from the payment of cess or levy should be extended. If they can meet so many and so varied of their other expenses they can certainly meet the little cess on this salt that they use in connection with the work of their industry. So, I have not been able to reconcile myself to this exemption.

PROF G RANGA (Andhra) Hear, hear

THE MINISTER FOR PRODUCTION (SHRI K C REDDY): It is only discretionary.

PROF G RANGA: But why do you do that?

SHRI H. P. SAKSENA: Personally speaking, I would have wished that there was no levy on salt; but administrative needs probably impelled the Government to come forward with this Bill. On this Christmas Eve, Sir, I am reminded about the great PRINCE OF PEACE who left us the message of goodwill towards all, who taught us to love our neighbour more than we do ourselves, or at least as much as we do ourselves, and I hope this message which was meant to be eternal will not go in vain. And, when we come back next year to attend the Budget Session, there will be more of fraternity and feelings of brotherhood between the two sections of the House than we find today—flying at each other's throat.

With these words, Sir, I support this Bill.

SHRI RAJENDRA PRATAP SINHA (Bihar): Mr. Deputy Chairman, I shall draw your attention to clause 5 of this Bill because that is the most significant clause in this Bill. Sir, that clause reads as follows:

"5. *Validation of charges levied on salt before the commencement of this Act.*—The charge in respect of the manufacture or production of salt imposed by the rule made by the Central Government under section 37 of the Central Excises and Salt Act, 1944 (I of 1944) and published with the notification of the former Finance Department (Revenue Division) No. 3, dated the 29th March 1947, shall be deemed to have been levied under this Act as if this Act was in force on the day on which the charge was so imposed and accordingly,—

(a) any sum paid or payable by way of such charge shall be deemed to have been paid or payable in accordance with law; and

(b) no claim shall lie in any court for the refund of any sum so paid."

Sir, after having read this, I will draw your attention to the Statement of Objects and Reasons in which it is said:

"It is, however, desirable that both the levy of the cess and the utilisation of the proceeds therefrom should be regulated by an Act of Parliament."

Sir, I want to know from the Government clearly as to whether this Bill has been brought before us as an act of grace on their part or for showing courtesy to this House. That means, Sir, that they accept this principle that they cannot levy any tax or cess without an authority of Parliament and they think that the levy that they have imposed so far was in order, was legal, was perfectly legal, but in spite of that, they would like to have the concurrence of this House. The question, Sir, is this, whether the Government thought that the collection of cess so far was in order, was legal, or else they think now, and they have discovered now, that the collection of tax or cess since the 1st April 1947 was completely illegal and without any authority of the law and the entire collection of the tax was completely in contravention of the Constitution. What is their opinion? Have they been acting legally or illegally? From the wording of this clause 5, Sir, it appears that the entire collection since the 1st of April 1947 was illegal, was in contravention of the Constitution. This point I want to be clarified by the hon. Minister. Sir, I submit for your consideration that if the collection was without any authority of the Parliament, it was not a tax, but was an illegal exaction. Sir, it means that the Government have got into the habit of acting illegally and irresponsibly, or else, their Law Department is functioning most irresponsibly and inefficiently.

SHRI K. C. REDDY: May I just intervene and say a word about this important matter raised by the hon. Member? Perhaps the House will take note of the lead that is given by the hon. Member. That is why I am intervening. It is not as if the Government knew all the while or that they came

to the conclusion that all this was being done illegally and it was an illegal exaction. Government have been advised that since there may be some doubts raised with regard to this matter it is better to put it on a statutory basis and to remove all doubts. So the assumption of the hon. Member that the Government have been conscious that they were doing these things illegally, etc. is not correct. There are several precedents to which I referred in the course of my prefatory remarks where, if there were any doubts raised with regard to the levy of a tax such a levy has been validated, with retrospective effect. So, as I said, it is only to remove certain doubts that we are bringing forward this Bill on the present lines.

SHRI RAJENDRA PRATAP SINHA
Mr. Deputy Chairman, I have listened to the explanation offered by the hon. Minister. He has said that there were several Acts that we were passing now on those lines, which were validating imposition of a tax or certain acts of omission and commission retrospectively. This is not a new Bill, Sir, of this nature that is before us. My complaint exactly is this, Sir, that this is now becoming a regular feature of our legislation that we are passing law with retrospective effect. It is quite all right, Sir, when we pass such a law once in a way, but it should not be allowed to become a regular feature of our legislation. It reflects upon the good government. It reflects upon the efficient functioning of the different departments, particularly the Law Department of the Government. I cannot understand, Sir, the word "doubt". The hon. Minister says, Sir, that all the collections made under this Notification were legal, but there was some doubt and therefore this Bill has been brought before us. But a contrary impression is given by the
 3 P M wording of this clause 5, which I have read out to you. It does not leave any doubt that the collections were legal and there was any legality about it. A reading of this clause will

make it quite clear to you that the entire collections were illegal. Otherwise, there was no necessity to draft this Bill in the manner in which it has been done. It is all that I have to say so far as this clause is concerned but I would advise the Government to function more efficiently in this respect.

Now, I will draw your attention to clause 4 (b) (iv). Sir, I have gone through this bulky report which was submitted to the Government by the Salt Experts Committee in 1950. That is a very good report, a very authoritative one, and deals with the problem very exhaustively. The recommendations of this Committee do deserve the highest priority at the hands of the Government. The hon. Minister may come forward and say that they have implemented most of the recommendations.

SHRI K. C. REDDY I have already said it

SHRI RAJENDRA PRATAP SINHA. Yes, the hon. Minister has already stated that they have already accepted and implemented most of the recommendations of the Experts Committee. If you go through any report, you will always find that there are certain basic and fundamental recommendations and so many other auxiliary recommendations. I am not aware which of those recommendations have been accepted and implemented by Government. After reading this report, it appears to me that one of the most basic and fundamental problems which face this salt industry is the evil of fragmentation of the lands under salt production. I do not know what steps Government have taken in this respect. Sir, I will draw your attention to page 319 of this report in which is given the average holding per licensee. They say that in Kathiawar and Cutch, the average holding per licensee is 581.71 acres; in Bombay it is 8.73 acres; in Travancore-Cochin it is 3.59 acres; in Madras it is 3.10 acres; in Orissa it is 5

[Shri Rajendra Pratap Singh] acres, and in West Bengal it is 41 acres. They have also given the number of licensees and the area under cultivation, to which I will not refer now. But what I want to point out is that the evil of fragmentation is at its worst in three States—Travancore-Cochin, Bombay and Madras.

MR DEPUTY CHAIRMAN: You were not here yesterday when the hon. Minister made his speech and referred to this problem.

SHRI RAJENDRA PRATAP SINHA: I am just coming to that. The report refers to the fact that the chief cause of our low yield, high price and poor quality of the salt is this evil of fragmentation, and it is quite proper that the Government should have inserted this clause, clause 4 (b) (iv) "promoting and encouraging co-operative effort among the manufacturers of salt." Now that they have established what is the chief evil of this industry, I want to know what efforts since 1950—and the evil was known even before 1950—have been made by the Government so far to implement the recommendations of this Experts Committee in the matter of forming co-operative organisations. I accept that this is what they also say that the co-operative movement must be encouraged, that the salt manufacturers should co-operate together in the manufacture of salt so that the quality and the yield may go up and the cost of production may go down, but what concrete steps have been taken since 1950 in this direction. I want to know so far as the collection of taxes is concerned Government can go on without the authority of the Parliament but on the other hand, when the question comes of implementing certain good recommendations in order to improve the industry the Government comes forward and says that it has been waiting to get a law passed by Parliament. When they have the money—and they have been collecting money since April 1947—why could

not they go forward with the formation of co-operative societies?

SHRI K C REDDY: I am sorry to interrupt the hon. Member. I wonder if the hon. Member was present when I made my introductory speech when moving my motion.

MR DEPUTY CHAIRMAN: He was not present, I told him so.

SHRI K C REDDY: I referred to all this at length and also gave the various steps that we have taken with regard to the encouragement of co-operative organisations and societies for the manufacture of salt. I listed the various steps that had been taken. If the hon. Member were present when I made my speech and is still making these remarks I cannot help it, but if he was not present, I see some justification for his making the remarks he is now making.

MR DEPUTY CHAIRMAN: This had been dealt with at great length yesterday, but of course he was not present.

SHRI RAJENDRA PRATAP SINHA: In this respect I have only to say that even if steps had been taken, I do not think that it is feasible and possible for the Government to undertake this work in distant lands like Travancore-Cochin, Madras and Bombay. I would suggest that they should have a Statutory Board. Along with this Bill, they ought to have come forward with a Bill for the establishment of a Statutory Board as we have so many other industries—a Statutory Board on which would be represented all the interests concerned in this industry, instead of doing things through a Salt Organisation, which, I do not think, is the proper way. The proper thing to do is to have a Statutory Board representing all the people who are interested in this industry—manufacturers as well as labourers.

There is one other point that I want to refer to. Sir, we know that the price of our salt is very high and the

chief reason is twofold. One is that the packing cost is very high and secondly the freight charges, because 70 per cent of our production takes place in the coastal area and then it has to be taken into the interior for distribution. The Expert Committee has recommended for improvement of the Sambhar Lake and also of the Mandi Mines and if this is done, the transport cost will be less and we shall be getting the salt at cheaper rates. I will draw the attention of the Government to this fact that modernisation or improvement of these two sources of salt production should take place immediately so that cheaper salt may be available. Also I would like to put forward a suggestion that different categories of salt altogether for consumption of animals should be produced which could be moved not in packing but in bulk in specially constructed wagons from the producing centres to the different consuming centres. This will help to eliminate the cost of the packing which is more than 100 per cent of the price of the salt. I would like the Government to examine whether it is possible to have a different variety of salt altogether for animal consumption and which could be moved not in packing but in bulk by a special wagon. We know that our animal wealth is very poor and unhealthy on account of the very small quantity consumption of salt and our poor cultivators and peasants cannot afford to have salt for the animals because for them the salt is very expensive. If some kind of cheaper salt minus the cost of packing is made available it will be very handy to them.

Lastly, I will seek an information from the hon. Minister through you. When a tour was organized last year and we went to Sambhar Lake, it was very interesting to see the process of manufacture there. There the merchants of the Sambhar Lakh came to us and gave us a copy of the memorandum which they had submitted to the hon. Minister in which they have alleged that—I don't know about the

authenticity of the allegation—because of a defective distribution system in the appointment of district nominees, the Sambhar salt was selling at practically double the rate at which it ought to have been sold, taking into account all the factors, i.e., the price of the salt, transport, clearing and the commission etc. They say in their memorandum that the salt at Rampur which should sell at Rs 5-2-0 was being sold at Rs 11-4-8 and they say that this is all due to a defective system of distribution. I don't know but I would like clarification from the hon. Minister whether this is a fact and if it is a fact, why steps are not being taken to remedy the defects in the distribution system.

SHRI B. M. GUPTA (Bombay) Sir, as the Bill is only putting the prevalent practice on a statutory basis, I have nothing to say against the levy of the cess but I have certain suggestions to make with regard to the agency for the administration of the fund and for its utilization. With regard to the first point I have to make the same suggestion which was just referred to by my hon. friend over there. There are various boards for different commodities like tea, coffee, areca nuts and so on. I don't see why there should not be a board similarly set up for salt and the administration of the fund entrusted to it. Of course there should be representatives of all the interests in it including representatives of the Parliament. If this is not possible then I suggest that there should be at least an Advisory Committee. I know there is the Salt Advisory Committee but I don't know what its composition is whether there are representatives of the consumers, the labour and the representatives of the Parliament also. If these elements are not there that Salt Advisory Committee should be reconstituted on these lines.

Then with regard to the objects for which this fund can be spent, I am glad that the welfare of labour has been expressly mentioned in clause 4. The salt labour is working in peculiar

[Shri B. N. Gupte.]

conditions and sometimes even drinking water is not easily available to them. It will be therefore quite proper if the welfare of the labour is made the first charge on the fund. But there are difficulties of the small manufacturers also, especially of the agriculturist-manufacturers. I don't know whether this is so elsewhere but at least in my State, viz., Bombay there is a class of agriculturists in the Thana district who owns a few salt pans and who carry on salt manufacture as a subsidiary occupation. The hon. Minister may remember that over a year ago the late Mr. Vartak, who was for some time a Minister in the Bombay Government and who was then a Member of the House of the People, and myself handed over two representations to him, one of them specially from the agriculturist-manufacturers of the Thana district. The representations concerned the Government policy to raise the sodium chloride content of the salt. But in this matter, all manufacturers, whether big or small, are labouring under great difficulties. I know Government are proceeding in the matter more slowly than they originally intended to do, but I humbly submit that they should go slower still because Government are aware that there is no demand for the high content salt at least in the Bombay zone. Government are aware that their own stock of salt at Vadala Factory is lying mostly unsold. I, therefore, submit that it is necessary to go slow in this matter. I certainly welcome that there should be promotion of co-operative effort among the manufacturers but that is not enough. At least for the present, as long as the sodium chloride standard is not very high, the manufacturers may be able to produce that standard without remodelling their salt works, but when we go to 94 per cent. or above, then I do not think that will be the case. And remodelling entails heavy expenditure. Even today many progressive manufacturers, following the lead of the Government, invested money in remodelling but now they find that their produce is

not being sold and they are suffering heavy losses. So the difficulty will be still greater in future and I therefore submit that unless the Government come forward to assist the manufacturers in the improvement of the technique, especially in the matter of remodelling they will not be able to raise the necessary finance easily and profitably because of this uncertainty about marketing the produce. I again emphasise that Government should go slow in enforcing higher standard, because if that is not done, I think perhaps we might be giving greater scope for corruption. If the manufacturers find that their produce cannot be sold, then perhaps they may be tempted to spend money not on raising the standard but by getting lower standards passed as higher standards. Therefore, I submit the Government should go slow. And along with that they should also give all sorts of assistance to these manufacturers by giving them free advice and more especially by giving them loans on easy terms. Otherwise the Government's own policy will be retarded and higher standards would not be attained.

Finally, I would like to refer to one more difficulty and that is connected with transport. At the end of the last season the Bhayandar manufacturers were faced with something in the nature of a disaster on account of acute shortage of wagons. The salt has to be removed to consuming areas, before the monsoons set in. Otherwise there is the danger of the salt being washed away by the rain. The usual allotment of wagons was not available and the rains were imminent. After frantic appeals to other authorities, they requested me and I approached the hon. the Railway Minister. He tried to help by giving some higher priority and making some more wagons available. But they were not easily available and they were inadequate. The usual route is via Dadar to the Central Railways. But the manufacturers were in such a predicament—they were facing total loss by impending rains and in that predicament—

ment they found the other route was less overstrained; and they preferred that route *via* Surat down the Tapti Valley Railway on to Jalgaon on the Central Railways. They had to adopt this lengthy and costly route to save themselves from disaster. Occurrences like this are bound to lead to higher prices for the consumer, because the manufacturers or the merchants will not bear the losses indefinitely. Either they will get out of the business or pass on the burden to the consumer and ultimately it will be the consumer who will suffer. I hope better arrangements will be made hereafter and there will be no trouble about it. Anyway, it should be remembered that after all, it is no use going on producing goods in that quantity, for the movement of which there is no transport, and of that quality for the consumption of which there is no demand.

Subject to these remarks, Sir, I support the Bill.

DR. RADHA KUMUD MOOKERJI (Nominated): Sir, I rise to support this Bill, but on grounds which are somewhat different from those urged by the hon. Minister in charge of the Bill. There are some historical grounds which are interesting and not very well known to many in this House. But before I deal with them, I should like to have some clarification as to the wording of clause 4 where it says:

“The proceeds of the duty levied under this Act, reduced by the cost of collection

Perhaps what is meant here is the net proceeds which will be left after deducting the cost of collection. That is only a verbal change because a doubt arose in my mind. I do not know if it is the strict legal language, but

SHRI K. C. REDDY: Which one does the hon. Member refer to?

DR. RADHA KUMUD MOOKERJI: I was referring to clause 4 where reference is made to the proceeds of the

duty levied under this Act, reduced by the cost of collection. I was suggesting the words “the net proceeds left after deducting the cost of production”. I do not know what the legal language is, but this change, to my mind, seems to make the meaning clearer.

SHRI K. C. REDDY: It is a verbal change only.

MR DEPUTY CHAIRMAN: Anyway, there is no amendment proposed.

DR. RADHA KUMUD MOOKERJI: No, Sir. It is just a suggestion which I think will make the meaning clearer.

SHRI K. C. REDDY: That the Chair itself can do.

DR. RADHA KUMUD MOOKERJI: Sir, as regards the historical grounds, I find there is very interesting material to be found in some of the old Sanskrit books. The manufacture of salt was worked by a *département* of which the head was the *Lavanadhya-ksha*. I may be pardoned for recalling these old indigenous terms. This one corresponds to what we call the Salt Superintendent, or some such designation. The manufacture of salt was regarded a State monopoly. But the State gave free scope to private enterprise to manufacture salt by a system of licences, and the provision was that there should be a fixed fee paid by the licensee or in lieu of that, share of the output, so that the private manufacturer of salt had to give to the State a share of his total output. Also the lessee of the salt-field had to pay rent. I do not know whether the land that is now allotted to the manufacturer is Government property or not, but salt fields were leased out to private persons from ancient times. The lessees had to pay a rent called *Prakraya*. A sixth of the salt manufactured is levied as the State's share of the profit of the private manufacturer (*Lavanabhaga*). So first of all there is the rent for the salt field and, secondly, one-sixth portion of the salt manufactured had to be given and it comes to a tax of nearly 2 as. 6 pies

[Dr. Radha Kumud Mukerji.]
per rupee. The Government sold this salt at market rates, but they earned a super-tax which was called *Vyaji* and it was derived from the difference between the Government and the public measure for salt, because in those days, like seignorage on currency, Government had their own measure by which they could weigh goods. So it was another charge. It came to 8 per cent. of the sale price and it was called *Rupika*.

Then salt was also imported in ancient times. This salt was called *Agantu* and it was heavily taxed.

MR. DEPUTY CHAIRMAN: You are giving some ancient history?

SHRI K. C. DEDDY: It is very interesting.

DR. RADHA KUMUD MOOKERJI: I was showing the hon. Minister some avenues of taxation. Now, this imported salt was heavily taxed. Besides the one-sixth portion, a further tax or super-tax of about 5 per cent. was levied on it. There was also a general octroi duty called *Sulka* levied on the transport of this salt from place to place and a compensatory cess which was called *Vaidharana*. The compensatory cess was levied in order to recover the loss to revenue on account of the imported salt. Adulteration of salt, and its manufacture without licence were punished except in the case of hermits—*Vanaprasthas*. Salt was also freely supplied, in accordance with Gandhiji's ideal, for certain classes of person, namely, first, the learned people—*Srotriyas*—then the hermits—*Tapasvis*—and the unemployed labour. It was supplied to unemployed labour only for the purpose of food—*Bhakta Lavana*—and not for the purpose of any lucrative trade.

So, my point in referring to these historical traditions is this, that after

all the country had not changed from ancient times and I think these Sanskrit legal texts throw a very valuable light upon the working of this important department of the industry. It was originally supposed that the State did not impose any cess on salt; that is a completely erroneous view. It has been done in the past and so I just place these facts to give the Minister an idea of the working of the salt department in ancient times and its features and rules which might be found to be applicable under modern conditions.

With these remarks, Sir, I heartily support the measure.

SHRI S. C. KARAYALAR (Travancore-Cochin): Sir, I rise to support the Bill that has been moved. The hon. Minister in moving the motion gave us a resumé of the historical background of this piece of legislation. He dealt with several matters which must necessarily arise while considering the provisions of this Bill and I think the House must be grateful to the hon. Minister for giving the historical background.

Now, coming to the provisions of this Bill, Sir, the Bill provides for the levy and collection of a cess on salt. It is described as a cess in the nature of an excise duty on all salt manufactured in private factories and factories owned by Government or worked by Government. Sir, I wish to emphasise that there is a distinction which, of course, is recognised in this Bill, between a cess which is proposed to be levied under this Bill and duty which was formerly levied on salt. The duty, Sir, was levied for the purposes of revenue and the cess which is proposed to be levied under this Bill and which has been levied for some time is for certain specific purposes specified in clause 4 of this Bill. I am trying to place some emphasis on this distinction because this distinction will have to be kept in mind in considering

the purposes for which the fund which will be raised or the proceeds of this cess will be utilised. Clause 4 provides for the measures that the Government propose to take under this Bill. The measures that are contemplated are the establishment and maintenance of research stations, model salt farms, fixing of grades of salt, promotion and encouragement of co-operative effort amongst the manufacturers of salt and the promotion of the welfare of the labour employed in the salt industry. I consider these to be the essential objects for which this Bill is now being enacted. Sir, clause 4 lays down that besides these important purposes, the proceeds of this cess may be utilised for meeting the expenditure incurred in connection with the salt organisation maintained by the Central Government. My point, Sir, is this, that this item of expenditure ought not to be met out of the proceeds of this cess because when the salt duty was being levied, Government was maintaining a salt organisation. The emphasis then was on the collection of revenue and the salt organisation was maintained for the purpose of revenue collection. With the abolition of the duty, Sir, the emphasis has shifted from revenue to an obligation which is placed upon the State as a Welfare State. This obligation has also been very specifically imposed upon the Government by the Constitution. You will find that under the Constitution, the manufacture, regulation and control and production of salt is a subject which is entirely under the Central Government and an obligation is imposed upon the Government that is the obligation to manufacture, supply and distribute salt, etc. So, this is an obligation which is imposed upon the Government irrespective of whether the Government levy a cess or not. This is a primary obligation which the Government have got to discharge to the public by virtue of their obligation to supply pure salt, good salt to the people. So, they cannot, in the nature of things, divest themselves of the obligation to supply salt by not levying the cess. It obviously means

when they say that there shall be a charge on the cess for meeting the expenditure in connection with the salt organisation by implication it means that they will not discharge this obligation if this cess is not levied. That is not a correct proposition. They ought to discharge this primary obligation independently of whether they levy a cess or not. I say, therefore, Sir, that this item of expenditure in clause 4(b) (i) ought not to be met out of the cess. They ought to discharge this obligation out of the Government Revenues of the State, not out of the cess. The cess is collected for specific purposes, I mean the specific purposes included in sub-clause (i) of clause 4.

Sir, while I am on this point I should like to draw the attention of the hon. Minister to a small matter. In clause 4, reference is made to "proceeds of the duty levied under this Act". I said that there is a distinctive difference between these two words. I believe it is a mistake in printing.

SHRI K. C. REDDY: It is used in a loose sense, perhaps.

SHRI S. C. KARAYALAR: 'Duty' has got a specific meaning and 'proceeds' has got a different meaning. It may lead to all kinds of legal interpretations and all sorts of complications. I suggest, therefore, that this clause should be made clear. Probably you may make a verbal amendment to the Bill "that the proceeds of the cess levied under the Act". This distinction should be kept up in this very Bill and that is why I draw this distinction.

Then, Sir, the hon. Minister has made that is a very wise suggestion that the proceeds of this cess will be credited to a development fund for the purposes of meeting development expenditure. There is no doubt that this is a very good suggestion but I would like to suggest, Sir, that a distinction ought to be made in this very Bill whereby the proceeds of the cess will go towards the creation of a specific fund so that the cess collected

[S. C. Karayalar.]

does not become merged with the General Revenues. After all, a cess is not levied for the purposes of revenue; it is for a specific purpose and it ought not to be devoted for any other purpose than the purpose for which the cess is levied. On this point, I should like to say that in the financial memorandum attached to this Bill, it is said that the Government expects the net proceeds of this cess to be Rs. 95 lakhs, or rather the total yield will be Rs. 95 lakhs out of which the salt organisation is expected to consume Rs 40 lakhs while the balance will be utilised for other purposes mentioned in the Bill. As I said a while ago, this Rs. 40 lakhs ought not to be diverted for the maintenance of the salt organisation. The entire proceeds ought to be devoted for the purpose for which this cess is being levied. That is a very important point, Sir, and I wish to lay very special emphasis on this point.

Now, another point which the hon. Minister referred to was with regard to the small units that have come into existence recently on account of the relaxation of the restrictions, etc., on the manufacture of salt. Sir, the small units comprising less than 10 acres of land are now coming in larger and larger numbers and the quantity of salt produced in those small units is of the order, I understand, of about 30 lakh maunds which is not an insignificant quantity. Then, the whole quantity which is produced in the small units is not subject to any kind of qualitative control and all the quantity finds its way into the open market. And it is regularly being consumed by the public. While, on the one hand, Government are very anxious to supply good quality salt to people and make all kinds of regulations and controls for this purpose in respect of the salt produced in licensed factories, on the other, they allow the injurious salt produced in the new factories to be consumed by the public.

PROF. G. RANGA: For their own consumption probably.

SHRI S. C. KARAYALAR: No, it is being marketed also. Government cannot in the same breath allow the manufacture of such salt to go on without any kind of restrictions and allow it to be consumed by the public, while in the case of the organised and licensed factories they are exercising control over the quality of the salt produced there. Of course I have no objection to their exercising control over quality in the licensed factories but at the same time they must see that these new factories also produce the same quality of salt for which they should exercise necessary control. Otherwise, Sir, the Government will not be meeting the obligation undertaken by them to supply salt of good quality. In another respect also, Sir, this encroachment of the small units of 10 acres is a growing menace to the organised industry.

PROF. G. RANGA: Question.

SHRI S. C. KARAYALAR: On both these grounds, Sir, on the ground that Government are duty bound to supply good quality salt and on the ground that the organised industry should not in any way suffer on account of this competition from this unorganized section of the industry. Government ought to take early steps either to see that these small units also comply with these regulations or they are scrapped altogether. It is a very serious matter and I think it will receive the attention of the Government. With these words, Sir, I support the motion.

PROF. G. RANGA: I want a small clarification, Sir. What happens to all those people who produce salt for their own consumption or for local consumption?

SHRI K. C. REDDY: They don't pay any cess.

PROF. G. RANGA: Do they not come under the supervision of your officers?

SHRI K. C. REDDY: No.

MR. DEPUTY CHAIRMAN: They are not manufacturers.

SHRI K. C. REDDY: Mr. Deputy Chairman, I am glad that this Bill has found general acceptance at the hands of this Council. The Bill has been welcomed in an abundant measure, if I may say so.

I was very glad to hear from our esteemed elder, Dr. Radha Kumud Mookerji, the history of salt legislation and salt administration in our country. That in a way is an effective answer to the remarks that fell from the lips of another hon. Member who made a critical speech, but who I am sorry is not here now. The hon. Mr. Saksena, while he criticised the measure but ultimately supported it, had his own qualms of conscience, had his own sentiments, and though he admitted that the price that the consumer would have to pay per seer was only a small figure, yet he wanted salt to be as free as air. May I say, Sir, in the civilized world of ours, at times we have to pay for air also indirectly or directly! Apart from that, Sir, a complaint was made, a misgiving was given expression to that we are doing something by way of violating the sacred memory of Gandhiji. I have already made it abundantly clear in the course of my opening remarks that nothing of the kind has been done and I would like to reiterate it. Since we are discussing a measure regarding salt, may I say we have been true to his salt and we have been true to our traditions and there is nothing that we are doing now which is by way of violation of those very fundamental principles?

AN HON. MEMBER: Is it not an indirect tax?

SHRI K. C. REDDY: I cannot go into the fundamentals of the question whether it is a direct tax or an indirect tax, whether it is a duty or whether it is a cess in the nature of an extra duty, and all that. It will take a lot of time of the House, and the House is aware that we have got

to get on to the foreign affairs debate by 4 P.M., and so I would beg the indulgence of this House to allow me to be rather brief in my remarks. It is not possible for me, Sir, with the short time at my disposal, to advert to the various matters, some minor and some major, that have been given expression to by the hon. speakers who have preceded me. I will single out only a few of them and refer to them in a very brief manner.

I may say, Sir, at the outset, that most of the points covered by the speakers have already been referred to by me in my opening speech in an elaborate manner and there is no need to reiterate those points. Two or three important points, however, have been made and I would like to refer to them.

In the first place I would take up the proposal that a board should be constituted for the administration of this fund. I see there is some point in it and I may confess that this suggestion or this proposal was not out of my mind even when this Bill was drafted. I agree in principle, that there should be some kind of board to deal with the utilisation of the proceeds of this cess. In similar Acts relating to tea cess or coffee cess, silk cess, and so on and so forth, provision has been made for the constitution of board to administer the realisations of the cess. I may point out in this connection that even with regard to salt we have a Salt Advisory Board functioning in an advisory capacity. It consists of representatives of various interests and we are finding it very useful, but whether we are to include it in the statute or not is the question that is engaging our attention. I have an idea—it is my intention—to bring before this House a comprehensive Bill on salt, though not in the immediate future, in due course. The idea is to include in such a comprehensive Bill provisions for the constitution of a Salt Board. Meanwhile, I can assure the hon. Members that their suggestions will be borne in mind.

[Shri K. C. Reddy.]

Then, Sir, with regard to the validation part of the Bill, very strong remarks were made by my hon. friend, Mr. Sinha, who, I think, was not here when I made my opening speech which if he had heard he would not have perhaps made such remarks—very pungent criticism, if I may say so. A validating clause in a Bill is not a new or novel thing. It has been resorted to in our country as well as in other countries.

SHRI RAJENDRA PRATAP SINHA: It should not be a regular feature.

SHRI K. C. REDDY: No Law Department anywhere in the world and no Ministry can claim absolute perfection. The courts are there and the courts have been given certain powers and rights to interpret the law and we have often found that the best of legal enactments are questioned in courts of law. Various arguments are put forward and certain findings given. The fact that the interpretation or finding of a court goes against the enactments does not necessarily mean that there has been something very wrong in the Law Department, and I wish the hon. Member had not made such scathing and sweeping criticisms of the Law Ministry or the Law Department. I can give various instances even in recent times where such validation clause has been incorporated in our Acts. It has been so in the past also. For example, Act III of 1888, the Indian Tolls Act, section 3; the Cotton Textiles Cess Act, 1948, section 1; the Income-tax Amendment Act, 1953, section 31; the Assam Emigration Act, 1927, section 3. In all these Acts there have been provisions for validation and I can give other instances also if I am desired to. Also I wish to make it quite clear that even now we can take up the stand that what we have been doing all these years is quite legal from our point of view. We can maintain that position. It is not as if we have not enough grounds to maintain that position, but as I have said; certain

doubts and certain other viewpoints have been expressed and in order to clear all doubts and to put the whole thing on a satisfactory and *pucca* basis we have provided for this validation clause. Sir, he said the wording of clause 5 was very categorical. How else could it be? When you want to remove a doubt, does the hon. Member suggest that we should draft the provision in a doubtful way again? I do not understand really the argument of the hon. Member.

Well, Sir, another point that was raised by the hon. Mr. Karayalar was that we must utilise the entire proceeds of this cess for development purposes and that we should not spend any portion out of this for organisational or departmental purposes—for meeting the cost thereof. Sir, I have not come across any Bill or Act of a comparable nature where a provision has not been made for meeting the expenditure of the organisation concerned from the proceeds of the cess. I can give a few instances at present in support of the course that we have adopted in this Bill. These are the precedents to show that it is quite proper to spend part of the proceeds of the cess on administration. They are—the Tea Act, 1953, section 27; Coal Mines (Conservation and Safety) Act, 1952, section 12; Silk Board Act, section 9; Rubber (Production and Marketing) Act, 1947, section 9; Coffee Market Expansion Act, 1942, section 31; Coal Mines Labour Welfare Fund Act, 1947, section 5. In all these cases cesses were levied for a specific purpose, for a specific service to be rendered to the industry concerned and in all of them it has been provided that part of the proceeds of the cess should be utilised for the organisation and the balance for the development of the particular industry.

(Interruption.)

I know if it were possible for the Government not to levy any cess or not to collect anything from the public directly or indirectly and at the

same time to have efficient governmental administration of the country, well, it would be a very happy state of affairs, indeed, and I would welcome such an ideal state of things to come into existence in this world, but it is just not possible from the pragmatic point of view, from the point of view of administration, however much we may like such a state of affairs to come into existence.

Then, Sir, some remarks were made regarding transport. I have covered that position already and I need not go into it over again. There were also some other minor points made to which I would like to advert very, very briefly. Before, I take up those small points, I would refer to one important matter raised by the hon. Mr. Sinha, that is, with regard to the Salt Experts Committee's Report. Yesterday I pointed out that we have already taken action with regard to the bulk of the recommendations of the Committee. Some of them are still outstanding. The particular matter to which he drew our pointed attention was the problem of small holdings. The question of preventing fragmentation and of consolidation is continuously before the Government and we have been taking action. With regard to the specific aspect, namely, the encouragement of co-operative societies, I may inform the hon. Member that out of 125 salt factories today, ten of them are already co-operative societies and they are producing about 35 to 40 lakh maunds of salt. For co-operative organisations licences are given rather freely; land is assigned to them free and no fee is charged to them. They are given preference at every stage and the salt manufactured by them is again given preference at the time of purchase. State Governments have been addressed in that matter. In these and other ways, we are giving all possible encouragement to co-operative societies. But here I would like to say one thing. Because these facilities are given to co-operative organisations, some bogus co-operative societies may come into existence and

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try, in the name of co-operative organisations, to secure all those benefits but not really work the organisations in the spirit of co-operative enterprise. So we have to beware of such organisations also.

There was a suggestion regarding bulk transport of salt for animals. I am sorry that the Railway Ministry does not see its way to accept this proposal.

Then, there was reference to a memorandum of Sambhar Salt Merchants' Association in which they had pointed out that because of the present nominee system prevailing in certain States, the price of Sambhar salt has gone up. I would like to remind the hon. Member that those very Sambhar salt traders, when the trade was in their hands and when there was no nominee system, manipulated in such a way that the price of salt shot up rocket high. On one wagon of salt which cost Rs. 500 they made a profit of Rs. 1,000. And so Dr. Rajendra Prasad went to Sambhar to examine the problem on the spot, when he was Minister for Food and Agriculture. He went into the matter thoroughly and he suspended the licences of those traders. This is the history of the whole thing.

Sir, I will not take up more time of the House by referring to other points. I am very glad that this Bill has been welcomed by all sections of the House and I hope that this Bill will be duly passed.

MR. DEPUTY CHAIRMAN: The question is :

"That the Bill to provide for the levy and collection of a cess on salt for the purpose of raising funds to meet the expenses incurred on the salt organisation maintained by Government and on the measures taken by Government in connection with the manufacture, supply and distribution of salt, as passed by the House of the People, be taken into consideration."

The motion was adopted.

MR. DEPUTY CHAIRMAN: Let us take up the clause by clause consideration of the Bill. There are no amendments to clauses 2 and 3.

Clauses 2 and 3 were added to the Bill.

MR. DEPUTY CHAIRMAN: Clause 4. Mr. Gupte.

SHRI B. M. GUPTE: Sir, I do not move my amendment.

MR. DEPUTY CHAIRMAN: So there is no amendment. I will put clauses 4, 5 and 6 together.

Clauses 4, 5 and 6 were added to the Bill.

Clause 1, the Title and the Enacting Formula were added to the Bill.

SHRI K. C. REDDY: Sir, I beg to move that the Bill be returned.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill be returned."

The motion was adopted.

[MR. CHAIRMAN in the Chair.]

MOTION RE INTERNATIONAL SITUATION

THE PRIME MINISTER AND MINISTER FOR EXTERNAL AFFAIRS AND DEFENCE (SHRI JAWAHARLAL NEHRU): Mr. Chairman, I move:

"That the present international situation and the policy of the Government of India in relation thereto be taken into consideration."

The House knows that certain developments have taken place recently, in the last few months, which have brought matters to a head in some respects in the international situation. This situation has been always, if I

may say so, on the verge of some kind of a crisis or the other for some considerable time past. I do not mean to say that anything has happened recently which has brought a grave crisis and the possibility of war suddenly nearer. I do not wish to strike an alarmist note, but certain developments have taken place in the ordinary course which have put a great burden upon us and certain other things have happened which are matters of great concern to us.

I should like to refer only to 4 P M two principal matters in the course of my speech this afternoon. One is the Korean situation and the other is the proposed military aid that the United States might give to Pakistan, about which there has been much talk.

Of course, the motion that I have moved is a very wide one and includes every subject that might come under the head 'Foreign Affairs and the International Situation'. But I would respectfully suggest to the House that it would be desirable to limit the discussion to these two principal topics instead of referring to many other matters which have often been discussed in this House before.

Now, in Korea, the House knows the past history and so I need not repeat it—how after very long discussions, arguments and debates, a certain resolution was passed by the United Nations. That resolution was largely based on the resolution put forward by India last year. In that sense, we had a certain responsibility for it. Subsequently the two Commands in Korea came to an agreement; certain terms were agreed to, terms of agreement with regard to cease-fire, etc. Those terms included the various steps to be taken in regard to the prisoners of war. There had actually been more or less agreement in regard to these terms about a year ago. But the one subject on which there had been no agreement was the prisoners of war issue. On the one side, it was said that the prisoners