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A Criticism Issued by local Committee of the Anti Sind Conference

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BRAYNE'S REPORT OF THE SIND CONFERENCE.

The report of the Sind Conference by the Hon'ble Mr. A. F. L. Brayne is a curious document. It is not a report in which the members of the conference had any hand ; it is a report by its chairman only. It is materially different from the brief summary of the results of discussions placed before the members at the last but one sitting of the conference ; it does not even embody the corrections made by the members in that summary. And in the form in which it has been published, it is likely to cause a number of misconceptions in the public mind. That conference was so composed as to give one particular community a clear majority; it was, therefore, unfair to report that certain conclusions were accepted by the majority without stating explicitly the volume of opinion on the other side, especially in matters in which *all* or almost all the representatives of other communities were opposed to the majority view. The chairman of the conference gave the members a wrong lead on the very first day when he allowed the *whole* report of the Expert Financial Enquiry Committee and *all* its findings to be open to discussion. The conference was not a further Committee of Enquiry by experts ; it was a conference predominantly of laymen; and neither the chairman nor its members had any right to assume the role of super-experts, sitting as a court of appeal against the findings of the expert committee. The conference was convened, to use the words of the Prime Minister, "for the purpose of trying to overcome the difficulties disclosed by the report of the expert financial investigation which had just been completed", and not to revise or throw overboard the findings of the expert committee. The conference was allowed even to *question* and *alter* the "equitable adjustments of financial commitments" for which the expert committee, in discharge of the duty cast upon them, considered Sind liable, though there was nothing in the terms of reference of the conference to warrant a supposition that this was one of the tasks assigned to it. On the first day of the conference, the chairman gave a clear and definite ruling that "we cannot discuss questions like subvention" (vide page 7 Proceedings) and that "so far as we are concerned, it is for us to endeavour to make Sind stand on its own legs" (vide page 8 Proceedings) ; but on the last but one day of the conference the *same* chairman began to sing a different tune and actually invited the conference to say what justification, if any, existed for the grant of a subvention to Sind (vide page 213 Proceedings). The draft report which was read out to the members at the conference or the summary of the discussions, which was circulated among the members, was a plain statement of facts and opinions ; the published report, put into its final shape from the heights of Simla, contains in a number of places insinuations against the sincerity of those who dared to differ from the chairman. These facts make it impossible to resist the impression that the chairman of the conference had very indefinite and beautifully vague notions about his task and that he failed to steer judicially through the conflicting opinions and advice offered to him during the course of the conference.

2. The Sind Financial Enquiry Committee, on the completion of their work, visualised the task of the Sind Conference in the concluding paragraph of their report, which reads as follows :—"The task which we leave to those, whoever they may be, whose right and duty it will be to speak for Sind, is *two*-fold. In the first place they have to decide *what rates* the cultivators of Sind will shoulder for the irrigation from the Lloyd Barrage. *In the light of these rates*, the future prospects of Sind will have to be reviewed. Having arrived at the initial and subsequent deficits, it will be theirs to decide whether by the provision of *additional sources* of revenue or by *retrenchment* those deficits can be removed." But neither of these problems was even taken in hand till the tenth meeting of the conference. Even then, the first was cleverly evaded and an ambiguous formula adopted by the majority to the

effect that "they were prepared to agree, in order to cover part of the deficit to a special additional charge of one anna per rupee of land revenue assessment (including water rates) on *whatever* rates were in force at *any* time in the *future* throughout Sind and without prejudice to the question of revision of the existing system" (vide page 16 Proceedings). The wording of this resolution as well as the discussion thereon made it clear that the conference did *not* commit itself either to the temporary slump rates of assessment for the first five years or to the full rates proposed to be impo ed thereafter. But the clever chairman takes full advantage of an innocent proposal put forward at the conference that 'it would *assist* the consideration of the financial position, if appendix 8 of the Expert Committee report, which is based throughout on slump rates, were recast' on certain *hypothetical* lines (vide pages 23—24 Proceedings), and arrives at the final conclusion that "the basic deficit would, on this estimate, be covered by the available Barrage surplus from 1944 onwards", (page 29 Proceedings). These rates of assessment are stated to be 'based on *recent* prices', although it was repeatedly pointed out at the conference that they were based on prices prevailing in January 1932 which were *substantially higher* than those current in April and May 1932, when the conference was actually sitting.

How unfair and misleading this final conclusion of the chairman is, can easily be seen by a reference to the full report of the proceedings on the 6th and the 7th of May. At the very outset, Sir Shah Nawaz Khan Bhutto, the acknowledged leader of the Muslims, while stating that they were prepared to tax themselves and the Sind zamindars to their full capacity told the conference that "things were so bad in Sind that Government was not able to recover their own takavi loans" (vide page 116 Proceedings) and that "he had a talk with the zamindars before he left for the meeting today and their one cry was that they were starving and that

Government should be informed that they would not be able to pay if things stood as they were at present" (vide page 116 Proceedings). The members of the conference themselves were under no illusion as to meaning of this offer to tax themselves in order to secure separation of Sind from the Bombay Presidency. Mr. E. L. Price, the representative of the European Chamber of Commerce, summed up his impressions as follows :—"I feel we are up against something serious. I notice that when Sir Shah Nawaz professed that he and his colleagues were prepared to face extra taxation in order to have Swaraj in Sind, there were smiles and little sniffs which seemed to doubt his sincerity. As a matter of fact what he has put up proves only to be a *moral gesture.* His subsequent explanations make it *financially worthless*" (vide page 118 Proceedings). Even the chairman understood rightly the drift of the discussion on this point, for he himself remarked, "What Sir Shah Nawaz said was that they were prepared to bear additional taxation in land assessment in order to meet the difficulties but that taxation was limited by their capacity to pay, and he went on to indicate that there was *no such capacity existing at the present time*" (vide page 118 Proceedings). But the chairman and Mr. Dow, like clever lawyers, then changed the form of the question and asked the zamindars whether for the sake of separation they would be prepared to pay one anna in the rupee over and above "*whatever rates* Government *might* fix," after giving them definite assurances that they were not committing themselves in any way to the proposed full or slump rates and that "the undertaking to pay one anna in the rupee in addition, which he (Sir Shah Nawaz) gives, is not to debar him or any of the other zamindars from being allowed the fullest liberty of explaining that *these* rates as proposed by the Settlement officer are either *too high* or too low" (vide page 124 Proceedings). This was really blinking the issue. What will enable the separationists to cover the deficit was the *addition* to the *total* revenue received by Government over and above the *estimated* revenue from the Barrage under the *proposed* rates which had already been taken into account, and not the additional revenue "over *whatever* rates Government *might* fix", which could not possibly admit of *any* estimate being made at this stage of the total aggregate revenue. But the formula served the immediate purpose of the two parties. The zamindars could say that they had *not* agreed either to the revised slump rates or to the full rates, while the chairman imagined that he was free to estimate eleven lakhs more revenue, available for covering the initial deficit, over and above the estimated revenue from the Barrage on the basis of "the rates of assessment *now* under consideration for the temporary revision of settlement for the first five years" and "thereafter the full rates proposed for the Barrage area," to *neither of which* the zamindars had really agreed. Thus the chairman who had started the discussion by asking the members "to consider whether the assessment *could be raised*" ended it with a formulæ that evaded this precise issue and meant one thing to him and another to the zamindars. Several members of the conference referred to the insistent applications for remission of even the *existing* assessment presented to the Commissioner in Sind continuously for the last two years (vide page 126 Proceedings), to the resolutions passed repeatedly at public meetings by Sind Zamindars including the leading Muslim members of the conference (vide page 130 Proceedings), and to the officially reported speeches made by the same members as late as the preceding session of the Bombay Legislative Council (vide page 130 Proceedings). Some of them objected to the form of the question and insisted on a clear statement of the *net financial effect* of the formula upon the *total* estimate of the revenue receipts, before being asked to vote. But the chairman, while admitting that "We cannot make *any* estimate because we do not know what the rates are going to be " (vide page 127) persisted in his formula, and having got the consent to it of only *six out of fourteen* members (vide page 121 Proceedings) and given the assurance "that the whole thing is *hypothetical*" (vide page 135 Proceedings), proceeds at the end to base his final conclusion that "the basic deficit would be covered by available Barrage surplus from 1944 onwards" on the *hypothetical* assumption that the rates of the assessment for the first five years would be "those now under consideration for the temporary revision of that settlement and that thereafter full rates will be adopted." That is how financial deficits are to be covered under the new dispensation heralded by Mr. Brayne. The irony of the whole situation is that within less than a month of Mr. Brayne's report, Sir Shah Nawaz Bhutto in his speech as chairman of the Larkana District Co-operative Bank publicly proclaimed on the 18th of July 1932 that "the agriculturist is hardly able to pay the *present* assessment when the enhanced rates of assessment are forced upon him", and that "12½ per cent remission is not enough" for "it ought to have been at least 26 per cent", and prayed that "the Government will be graciously pleased to show mercy to the suffering agriculturists". And yet Mr. Brayne assumes that the Sind zamindars, headed by Sir Shah Nawaz Bhutto, will pay not only the *existing* rates of assessment but also the proposed *enhanced* rates of the Barrage and one anna in the rupee on these enhanced rates for the sake of separation. Such is the slippery basis on which Mr. Brayne's optimistic forecast rests.

As regards other new sources of revenue, the chairman of the conference endorses the view taken by the Federal Finance Committee that "such provincial taxes as appear to be within the sphere of practical politics in the immediate future cannot be relied on to yield any substantial early additions to provincial revenues" (para 20) and concludes that "it seems preferable to assume that such possibilities should *not* be taken into account in reduction of the initial deficit of a separated Sind". Nor has the conference achieved in the matter of retrenchment anything substantial beyond the retrenchment of 12 lakhs already effected by the Bombay Government. "The specific proposals made by those who held that the deficit must be reduced by further retrenchments would realise a saving of about 6.5 lakhs " (vide page 15); but according to the chairman himself, "the discussions indicated that some of the measures were *undesirable on various grounds*" (page 15). This is the sum total of the achievements of Mr. Brayne in respect of the two-fold task for which the conference was convened.

3. And yet the public have been given an impression that the basic deficit has been reduced to 80 lakhs instead of 108.45 lakhs estimated by the Irving Committee and that instead of a permanent subsidy Sind would require a subvention for only eight to ten years. How has this miracle been performed ? A glance at page 27 will show that even on Mr. Brayne's calculations, the basic deficit is 91.45 lakhs and not 80.5 lakhs, for 11 lakhs are to be covered by *additional taxation* in the form of an *additional* cess on land revenue. It is not the *net-deficit* which amounts to 80.5 lakhs but the amount of subvention required over and above additional taxation. The misleading word 'deficit' serves no purpose except that of creating an impression on the popular mind that Mr. Brayne has succeeded in reducing the deficit disclosed by the expert committee. This estimate of eleven lakhs is, moreover, *conditional* on two things : firstly upon the zamindars paying during the first five years Mr. Green's revised settlement rates based on the higher prices of January 1932 ; secondly on their capacity to pay after the five years the *much* higher rates proposed in the settlement report which are based on the pre-slump prices of the decade 1919-1929. If either of these fail to be realised in the future even to the extent of 10 per cent, "one anna per rupee of land revenue assessment on *whatever* rates were in force in the future throughout Sind and without prejudice to the question of revision of settlement system" might mean no addition to the estimated *total* of land revenue *collections* (including cesses). The

second important difference arises out of Mr. Brayne's reduction of 7·5 lakhs in estimate of pension liability on account of share of pensions partly earned in Sind but paid outside Sind. The grounds given for this reduction are that "this method of allocation would follow that recommended by the North-West Frontier Province Committee, and is analogous to that on the introduction of reforms in 1921" (vide page 5). But the analogy of the North West Frontier Province does not hold good for the simple reason that the financial adjustment between the Central Government and the North West Frontier Province took place for the first time in 1931, while Sind as part of the Bombay shared with Bombay the benefit of the terms given to all the provinces in 1921. Sind cannot have the same concession twice, once as a part of Bombay, a second time as a separate province. This concession to provinces in 1921 was an integral part of the scheme of division of financial resources between the Central Government and the Provinces; but the Bombay Government is not, with reference to a separated Sind, in the position of a Central Government decentralising its previously centralised financial resources. Moreover, as Mr. Price had pointed out to the Chairman that "in the case of N. W. F. Province the position was different and the Government of India had always been financing it and would continue to finance it" (vide page 71 Proceedings). The proper analogy to follow is that of Orissa; but the Orissa Committee has, in its note on pensions (vide pages 173-178 of its report), adopted exactly the same method of calculating Orissa's liability for pension charges as the Irving Committee did in the case of Sind. There is no more justification for saddling Bombay with the whole of Sind's liability on account of part-earned pensions than it is for transferring to Bihar a similar liability of Orissa. The third item accounting for the difference between the two estimates is the reduction of four lakhs under interest and repayment of debt by throwing overboard the existing arrangement for repayment of unproductive debt in 30 years. Mr. Brayne proposes that Sind should not only pay this debt in 50 years instead of 30 but that this repayment period should count, not from the date the particular loan was incurred, but *de novo* from the date Sind is constituted into a separate Province, which will really mean an extension of the period of repayment to an average of 56 years from the date of the loan. Such is the Micawber-like Finance to which the former Finance Secretary of the Government of India is reduced in his desperate anxiety to help the communal separationists. What an auspicious start for a new small province with slender resources and credit in the market! Why not continue the process merrily, re-borrowing from the Government of India every ten years, counting *de novo* the period of repayment spread over 50 years?

If these three items are taken into account, the total of Mr. Brayne's estimate comes to 103·1 lakhs as against 108·45 lakhs of the Sind Financial Enquiry Committee, *in spite of 12 lakhs' savings* under retrenchment considered permanent by Mr. Brayne. It should further be noted that out of these 12 lakhs regarded as permanent savings, 2·6 lakhs represent a cut of 20% in the grants to local bodies for *primary education*, which in the aggregate amounted to only 17·79 lakhs in 1929–30.

4. For the rest, Mr. Brayne has resorted to manipulation of Barrage estimates, at times in utter disregard of what the expert committee had said on the subject, or even the terms of reference of the Conference. The Sind Financial Enquiry Committee, after taking a good deal of evidence, felt grave doubts as to the correctness of the sales programme and forecast of sales receipts and definitely stated: "If the present depression continued, it is, in our view, unlikely that it will be obtained as quickly as was originally anticipated and both sales and payments will probably have to be spread over a considerably greater number of years. So long as

prices generally remain low, the amount of money available for land purchase must inevitably be limited." But Mr. Brayne, without taking any evidence, brushed this aside and stuck to the estimate of the Barrage officer, the solitary 'revenue expert' of Sind. Under the existing system in Sind, the consolidated charges for water and Land-revenue cannot exceed 40 per cent of the net assets and are unalterable during the period of settlement; and the expert committee expressed the view " that if the Government of Bombay remains bound by these limitations it can fix *no* rates at which the Barrage will make any *substantial* contribution to the revenues of the province" (para 67). But Mr. Brayne, without knowing anything about the conditions in Sind, expects the Barrage to yield even in 1949-50, in which the expert committee expected a deficit of 67·49 lakhs under full rates and of 134·41 lakhs under slump rates, a surplus of 130·8 lakhs available for general purposes after payment of interest. Under the rates based upon the prices of May 1931, the expert committee, consisting of the Financial Commissioner of the Punjab Government and the Government of India's expert Engineer, thought that " the financial prospects of the Barrage would be precarious in the extreme, and on the criterion utilised in the case of irrigation schemes, it would have to be classed as *unproductive*." Mr. Brayne thinks otherwise; on the rates based upon the prices of January 1932 for five years and on those of the decade 1919-29 thereafter, the Barrage turns out to be a gold mine yielding a surplus of 130·8 in 1949–50 and 156·2 lakhs in 1954–50. Substitute the prices of April and May 1932 for those of January 1932, and the substantial surpluses become huge deficits. Such is the unstable basis on which Mr. Brayne's optimism is based. Rightly did the expert committee warn the public that "it is never an easy matter to forecast with confidence the financial prospects of a new irrigation scheme, and to do so during the period of a serious economic crisis, the duration and ultimate effect of which are at present and will for some time to come remain unknown, is clearly an *impossibility*." But what was impossible for two experts, after hearing all kinds of evidence, is easy for Mr. Brayne without an iota of evidence before him.

5. Mr. Brayne's other manipulations take various forms. One of the terms of reference of the Expert Financial Enquiry Committee was to "recommend an equitable adjustment of the financial commitments for which Sind should properly be considered liable"; and, in discharge of this duty, it debited Sind with the *whole* of the Barrage debt including the accumulated interest during the period of construction. There was *nothing* in Mr. Brayne's terms of reference to suggest that he or his conference had any power to upset the "equitable adjustment" recommended by the expert committee ; but this did not deter him from knocking out 342.5 lakhs out of the accumulated interest on the Barrage debt and debiting it to Bombay, though he knew very well that "the conference has already *transgressed its powers* in two respects, first in proposing a particular allocation of the accumulated interest on the Barrage debt and, secondly, in reducing the pensionary liability, by which measures, part of the burden of a separated Sind would be left with the remainder of the Presidency which would, in effect, be making a subvention to Sind to this extent" (vide para 36 of his report). The ground for this extraordinary proposition is stated to be that "under normal circumstances, this interest would not have been added to capital but would have been met from the joint revenues of the Presidency as a whole to which Sind contributed in the proportion of 15 per cent." But under normal circumstances, if Sind continues to be with Bombay, it would have been paid in less than six years out of the revenues of the Barrage which would have come to the joint purse of the Presidency and Sind. Had the Bombay Government paid this interest out of revenue during 1923-1932 this would have meant *additional* taxation of Sind as well as the Presidency, which Sind along with the Presidency *escaped* under the course actually

adopted. The Presidency revenues have already contributed 81 lakhs towards the interest charges of the Barrage ; and it was on the distinct understanding that the balance of the interest was to be added to the capital and paid out of the sales of land and revenues from the Barrage zone that the Bombay Government, the Bombay Legislative Council, the Government of India and the Secretary of State for India sanctioned the Barrage scheme. It was immaterial to Mr. Brayne that, when the Barrage project went through the Bombay Council in 1923, the representatives of Sind secured the consent of the Presidency members after agreeing formally that interest whilst under construction would form part of the capital cost, except 10 lakhs a year paid out of revenue for ten years. If this liability on the revenues was to be divided in proportion to the revenues of Sind and the revenues of the Presidency, the *expected* revenue from the Barrage should be added to the *existing* revenue of Sind for determining the *proportion*. At any rate, in April 1933, the proposed date of separation, the Barrage revenues will form a part of the revenues of Sind, and cannot on any equitable principle be excluded for determining the ratio in which the *accumulated* interest should be divided. But to appropriate the *entire* proceeds of the land-sales and receipts from land assessment from the Barrage zone and to pay only 15 per cent of the accumulated interest charges, is a breach of the most elementary commercial morality between partners in a venture. Mr. Dow, who originally put forward this claim, referred to the principle enunciated in para 32 of the expert committee's report in support of it. But the full text of paras 29-32 clearly shows that what the expert committee had in mind applied only to *past* expenditure from *revenue*, and not any *continuing liability* arising in the *future from productive capital works*, as the following extract will show :—"Our conclusion therefore is that no question of debt arises at all in respect of *past* expenditure from revenues. Throughout the years prior to separation, the revenues of the joint provinces were devoted to those objects which, at the time, appeared to be the most deserving in the interest of the province as a whole; it is quite immaterial in which particular division of the province the expenditure *occurred*; and all *such* revenue transactions must, in our opinion, be regarded as finally closed. It follows that the only debt which requires to be distributed is that which entails continuing liabilities in the shape of payments of interest and repayment of capital." It is not that the Bombay Government raised the revenue necessary for paying the interest charges and did not pay it, but they did not raise the revenue at all for that purpose. It is the *actual past* transactions from revenue that were regarded by the committee as closed, and not what *should have* been transactions from revenue, in the opinion of Sind Muslims to-day. The Sind Muslims, no less than the Presidency members, shared the responsibility for the *actual* decision as to how much of the *interest* on the Barrage should be charged to *revenue* and how much to *capital.* Mr. Dow's contention, so eagerly seized upon by the Sind Muslims, is based upon a clear misreading of the expert committee's report. Besides, neither the Chairman nor the Conference had any right to revise the decision of the *expert* committee as to the "equitable adjustment of financial commitments," for which Sind was liable. It was no part of *their* terms of reference.

The second device for reducing the deficit in the first years is to spread the repayment of the Barrage debt to 80 instead of 60 years. This amounts merely to postponement and does not affect the intrinsic financial position. It is a legitimate device only if one is sure that expenditure arising out of the Barrage developments or otherwise, which posterity will have to incur between the 60th and 80th year, will be substantially less than the increase of revenue arising out of the Barrage. In other words, we are mortgaging our children's estate for 80 instead of 60 years—a course which no prudent father will lightly adopt.

The third device for inflating the *net* revenue from the Barrage adopted by Mr. Brayne is practically to ignore all the items of growth of expenditure and revenue after separation, for which the expert committee provided, on a very conservative estimate, a *net* additional expenditure of 16·54 lakhs in 1937 rising to 35·74 lakhs in 1962-3. The Irving Committee had in this estimate confined themselves only to "items in respect of which increase seems to be *inevitable*, either owing to the construction of new works or to the increased demands on the administration which appear to be bound to arise as the area under the Lloyd Barrage project is brought under cultivation and population increases" (vide para 50, page 18). They recognised that it was probable that "there will be development in *other* directions than those which they had been able to indicate" but they assumed that "on the whole, what growth of expenditure cannot be *definitely predicted* will be balanced by the equally *unpredictable growth* of revenue." Mr. Brayne dismisses these calculations with the remark that any estimate of the future expansion of expenditure must be highly conjectural; and while admitting that "considerable expenditure must be incurred upon communications, agricultural and other beneficent services if Sind is to reap the full advantage of her resources in the new era of development upon which she has entered" (vide para 29), assumes that "as regards new expenditure, funds will have to be found from *further retrenchment* in the cost of the administration, and from possible *new* sources of *taxation* which have not been taken into account in estimating the deficit, as they are not likely to come into operation at the very outset of separation" (page 29). But he himself puts the *maximum* savings from "the specific proposals made by those who held that the deficit must be reduced by further retrenchments" at only 6.5 lakhs (vide page 5), and admits that "the discussion indicated that some of the measures were undesirable on various grounds". Nor has he a word to say to those who pointed out that Sind people cannot in fairness be asked to pay in *taxes more per* *capita* than even Bombay, while their expenditure per capita on beneficent services is to be reduced to the level of that in Bihar and Bengal. Of new taxes, he reiterates the strong objections advanced against the cotton cess ; from professional taxes, one estimate puts the receipts at about 2 lakhs, which he himself considers "probably a high figure ;" the tobacco tax, he himself thinks, "would at first be restricted to town areas" and "the revenue would probably not exceed one lakh of rupees", and the land cess has already been taken into account in reducing the initial deficit. That exhausts all the suggestions for new taxation ; whence is then the expenditure on *inevitable* items, which the expert committee estimated at 23.82 lakhs in 1943-5, 33.24 lakhs in 1953-5, and 35.74 lakhs in 1962-3, to come from ? The airy talk of 'development loans' indulged in by Mr. Brayne will take us nowhere, when no provision is made for the payment of interest and repayment charges out of the revenue, actual or prospective. The plain truth is that Mr. Brayne imagined that his task was to show *on paper somehow* that the difficulties disclosed by the Irving Committee could be overcome by a subvention for ten years, so that the Government of India might be in a position to induce members of the Legislative Assembly to vote for a subvention to Sind under false hopes.

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