

COMMITTEE APPOINTED BY GOVERNMENT RESOLUTION
 No. 6444, DATED 18TH AUGUST 1915.

The Honourable Mr. H. S. Lawrence, I. C. S., Commissioner, S. D. ... Chairman.

F. G. Pratt, Esq., I. C. S., Commissioner, N. D.	...	} Members.
C. N. Seddon, Esq., I. C. S., Commissioner, C. D.	...	
J. R. Martin, Esq., I. C. S., Deputy Commissioner, Upper Sind Frontier	...	
The Honourable Rao Bahadur G. K. Sathe, Government Pleader, Sholapur	...	
The Honourable Mr. V. J. Patel, Barrister-at-Law	...	
The Honourable Moulvi Raffiuddin Ahmad, Barrister-at-Law.	...	
Rao Bahadur R. C. Artal, I.S.O., Retired Deputy Collector.	...	
Mir Ayub Khan valad Jam Mir Khan of Lasbella, Barrister-at-Law	...	

P. R. Kapadia, Esq., B.A., Assistant Commissioner, C. D. ... Secretary.

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APPENDIX A.

(*Vide* paragraph 2.)

No. 6444.

GENERAL DEPARTMENT.

Bombay Castle, 18th August, 1915.

Resolution of the Government of India, Department of Education (Municipalities), No. 55-77, dated the 28th April, 1915.

Memorandum from the Secretary, Legislative Council, No. 1733-L, dated the 21st July, 1915—

Stating that the resolutions Nos. 5 and 6 moved by the Honourable Mr. V. J. Patel at the meeting of the Legislative Council held on the 14th July, 1915, regarding the proportion of elective members on Local Boards and the election of Presidents of Local Boards were passed in the following modified forms:—

"5. This Council recommends that the Governor in Council may be pleased to consider whether the number of elective members on such of the Taluka and District Local Boards in the Presidency as the Governor in Council may think fit shall be not less than two-thirds of the whole Board.

"6. This Council recommends that the Governor in Council may be pleased to consider the desirability of directing that the Presidents of such of the Taluka and District Local Boards in the Presidency as the Governor in Council may think fit be elected by such Boards."

RESOLUTION.—Copies of the Resolution should be forwarded to all Commissioners, Collectors, Superintending and Executive Engineers, the Sanitary Commissioner for the Government of Bombay, the Sanitary Engineer to Government, the Sanitary Board, the Director of Public Instruction, the Municipal Commissioner for the City of Bombay, the Accountant General, the Remembrancer of Legal Affairs, and the Educational, Public Works, Revenue and Financial Departments for information. The Collectors should be requested to communicate copies to the municipalities and local boards of their respective districts.

2. With reference to paragraph 6 of the Resolution, the propriety of dispensing with the condition to which the increase of the proportion of elective councillors to two-thirds has, in the case of municipalities other than City Municipalities, hitherto been subject, namely, the selection of a Government servant to be chief executive officer, is now under consideration.

3. With regard to paragraph 7 of the Resolution the Governor in Council has already been pleased to direct, under section 23 (2) (c) of the District Municipal Act, that in future the President of any Municipality for which a Municipal Commissioner has been appointed shall be elected by such Municipality. In accordance with this decision the Municipalities of Ahmedabad and Surat will, in future, elect their Presidents. The question of extending the concession to all other City Municipalities is under consideration.

4. The recommendation conveyed at the conclusion of paragraph 9 of the Resolution should be commended to the attention of the municipalities of the class referred to. For the present there is no evidence of any special need to resort to legislation of the character indicated, but the Governor in Council will be prepared to take action in this direction in the event of any tendency manifesting itself on the part of municipalities to withhold from their executive officers functions and responsibilities with which, in the interests of good municipal government, it is desirable that they should be invested.

5. In paragraph 23 of the Resolution the Government of India suggest that the Government control in respect to the creation of minor posts on

municipal establishments might be relaxed. Under section 46 of the District Municipal Act all appointments made or allowances granted by a municipality require the sanction either of Government or of the Commissioner as the case may be. The Governor in Council is disposed to think that this degree of control is excessive and that, so far as the creation of posts or the grant of allowances which involve a charge on municipal funds not exceeding Rs. 50 per mensem is concerned, municipalities might be given a free hand. Before coming to a final decision in the matter, he desires to be favoured with the views and recommendations of the Commissioners.

6. While the recommendations of the Decentralization Commission which form the basis of the present Resolution of the Government of India are generally in accordance with the methods of administration already prevailing in the Bombay Presidency so far as municipalities are concerned, it is evident that the administrative system of the local boards of the Presidency falls short of the standard set by the Commission in respect to the organization of these bodies on a popular basis and their emancipation from official control. Although it must be recognized that such causes as the essential difference between urban and rural conditions, the rigidly restricted resources of the local boards, the absence in their case of powers of self-taxation, the extent to which their funds are regularly absorbed by the ordinary maintenance charges of existing works and institutions, and, finally, the comparatively limited scope of their functions generally, militate against progress, it is nevertheless the fact that, in comparison with the substantial advance which has taken place of late years in respect to municipalities, the development of local self-government in the case of local boards has been disappointingly slow. The annual reports on the administration of these bodies testify with monotonous reiteration to the lack of interest and the absence of active co-operation on the part of the non-official members and the almost complete apathy and indifference of the electorate. It is difficult to avoid the conclusion that this state of affairs is to a large extent attributable to the fact that the system of administration of the local boards still remains what it was when these bodies were first constituted under the present Act some thirty years ago and that during all that time there has been no movement in the direction of endowing them with a more liberal organization and releasing them from the guiding strings of official control.

7. In these circumstances the Governor in Council is of opinion that the time has come when the whole question of local board administration in this Presidency should be brought under review for the purpose of ascertaining whether it is not possible to introduce into the existing system certain changes which, while leaving unimpaired the power of Government and their officers to intervene when maladministration or the culpable neglect of obligations on the part of local boards occurs, will not only confer on these bodies a freer scope and greater responsibility in the management of their affairs but will also ensure that they themselves are by the nature of their constitution more widely and truly representative of the interests which they administer. In other words, the object which he has in contemplation is the infusion of a more vital and real spirit into the principle of local self-government as applied to the administration of the rural boards of this Presidency.

8. With this aim in view the Governor in Council has decided to appoint a Committee comprising both officials and non-officials and representative of every division of the Presidency for the purpose of considering and reporting what changes it is desirable to effect in the constitution of the district and taluka local boards and their system of administration in order to secure a greater measure of progress in the development of this form of local self-government. The members of the Committee will be as follows:—

The Honourable Mr. H. S. Lawrence, I. C. S., *Chairman.*

Mr. F. G. Pratt, I. C. S.

Mr. C. N. Seddon, I. C. S.

*Mr. G. E. Chatfield, I. C. S.

* Mr. J. B. Martin, I. C. S., was appointed in place of Mr. G. E. Chatfield, I. C. S., by G. O., G. D., No. 7430 dated 24th September 1915.

The Honourable Rao Bahadur G. K. Sathe.
 The Honourable Mr. V. J. Patel, Bar.-at-Law.
 Rao Bahadur R. C. Artal, I.S.O.
 Mir Ayub Khan *walad* Jam Mir Khan of Lasbela.

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Among the questions which the Committee will more particularly consider in the course of their deliberations are those referred to in paragraphs 27 to 30 and paragraph 34 of the Resolution of the Government of India relating to elective majorities on rural boards, the selection of the chairmen of such boards, their financial resources, their powers of taxation, and the degree of supervision to be exercised over the estimates for and the execution of their public works. The Governor in Council hopes that it will be possible for the Committee to submit their recommendations not later than the end of October next:

9. In the concluding portion of paragraph 32 of their Resolution the Government of India announce certain concessions additional to those mentioned in Government Resolution No. 3895, dated the 10th May, 1915, relating to the means which district boards may adopt for raising the resources required to enable them to undertake railway projects. These bodies, under the present orders, will be permitted to raise a public debenture loan on the security of the prospective railway, while at the same time no obligation will rest on them to accumulate a special sinking fund for the redemption of the debentures. The Collectors of districts should be requested to invite the attention of the district local boards to these orders.

10. With regard to that portion of the Resolution which deals with village organization, the Governor in Council has decided to prepare two separate Bills in place of the existing draft Village Panchayat Bill, the one dealing with the question of civil jurisdiction and the other providing for village administration. These measures are still under consideration.

J. L. RIEU,
 Secretary to Government.

APPENDIX B.

(*Vide* paragraph 2.)

LIST OF WITNESSES EXAMINED ORALLY.

On 24th September 1915.

Mr. H. F. Beale, M.Inst.C.E., Secretary to Government, Public Works Department.

The Honourable Diwan Bahadur K. B. Godbole, Retired Executive Engineer.

On 28th September 1915.

Major F. G. H. Hutchinson, I. M. S., Sanitary Commissioner to the Government of Bombay.

Major G. K. Walker, C.I.E., F.R.C.V.S., Superintendent, Civil Veterinary Department.

On 30th September 1915.

The Honourable Mr. W. H. Sharp, M.A., Director of Public Instruction.

— The Honourable Moulvie Rafiuddin Ahmadi, Bar.-at-Law, was subsequently added to the Committee.

On 1st October 1915.

Mr. G. W. Hatch, I.C.S., Collector of Poona.
 „ E. J. Bolus, I.C.S., Assistant Collector, Poona.
 „ F. B. P. Lory, M.A., Deputy Director of Public Instruction.
 „ G. F. Keatinge, I.C.S., Director of Agriculture.

On 18th October 1915.

Khan Bahadur Syed Shamsuddin Kadri, I.S.O., B.A., F.B.U.,
 Mr. H. N. Apte.

On 19th October 1915.

Mr. R. P. Karandikar.
 Sir Narayan G. Chandavarkar, Kt. .
 Mr. G. K. Chitale.
 „ Daji Abaji Khare.
 „ N. C. Kelkar, B.A., LL.B.
 The Honourable Mr. D. V. Belvi, B.A., LL.B.

On 20th October 1915.

Rao Bahadur N. T. Vaidya.
 The Honourable Mr. Upasani, B.A., LL.B.
 Mr. Jivanji Limjibhai.
 The Honourable Rao Saheb V. S. Naik.

APPENDIX C.

(Vide paragraph 7.)

Paragraph 794 of the Decentralization Commission's Report.

794. With few exceptions, official opinion is unanimous in favour of retaining the Collector as President of the District Board. The preponderance of non-official opinion, especially in Madras, the two Bengals, and the Central Provinces, is in favour of an elected non-official President. Some of the non-official witnesses, however, desire to retain the Collector as President; others, again, recognized that competent non-official Chairmen could not easily be found, in many districts, and that the displacement of the Collector must be gradual

Evidence for and against the Collector's presidency of the District Board.

APPENDIX D.

(Vide paragraph 28.)

*Extract from Local and Central Government by Percy Ashley, M.A.
 (pages 89—91).*

The Councils-General represent in the main the middle class, the *bourgeoisie*; M. Hanotaux describes the Council-General of the Department of the Aisne as consisting of ten manufacturers, eight farmers, seven men of independent means, three doctors, six lawyers (three retired from practice), a publicist, a contractor, and an architect. He adds:—

“The men who form the Council-General, whatever the political party to which they belong, are certainly by intelligence, education, and merit, at the head of the small area which has elected them. The majority of them keep their seats for years, and so acquire valuable experience. These assemblies, if I may judge by the one with whose work I am acquainted, are really excellent in every way, except that a slight oligarchical tendency and a somewhat excessive regard for the interests of the *bourgeoisie*

class cause them sometimes to close their eyes to the needs and reasonable aspirations of the democracy. However that may be, I do not think that in all our constitutional system there is any assembly in which one can acquire a better or more exact knowledge of public affairs. There the aptitude of the race for self-government really appears. The praises which we often bestow on certain foreign institutions might be given, at least in part, to these local, reasonable, and unobtrusive assemblies, which in their quiet way are truly an ornament to our politics and constitution."

The office of President is one of distinction, and is frequently held by men prominent in national life. Thus at the August meetings in 1905 amongst the presidents elected were a former Prime Minister, some other present and past ministers, about thirty senators, and nearly a score of deputies. The elections to the Councils-General are fought generally on political grounds, and at the commencement of the session political resolutions are frequently passed,* but after that the councils settle down to their work, and national politics pass into the background.

APPENDIX E.

(Vide paragraph 51.)

Section 7 of the Assam Local Self-Government Bill of 1914.

Removal of members.

7. The Chief Commissioner may remove any member of a Local Board—

- (a) if he refuses to act or becomes incapable of acting ; or
- (b) if without an excuse sufficient in the opinion of the Chief Commissioner he absents himself from four consecutive meetings of the Board ; or
- (c) if, where he is a salaried servant of Government, his continuance in office is, in the opinion of the Chief Commissioner, undesirable ; or
- (d) if he becomes subject to any of the disabilities stated in clauses (i), (ii), (iii), (iv) and (v) of the proviso to section 4, subsection (4), clause (d) ; or
- (e) if his continuance in office is, in the opinion of the Chief Commissioner, dangerous to the public peace or order or likely to bring the administration of the Board into contempt.

APPENDIX F.

(Vide paragraph 51.)

Extract from paragraph 32 of letter No. 7273, dated 10th October 1913, from the Government of Bombay, General Department, to the Government of India, Department of Education (Local Boards).

The Bombay Local Boards Act does not give power to Government, as in the case of municipal councillors (*vide* section 16 of the Bombay District Municipal Act, 1901), to remove from office an elected member (other than a President or Vice-President) who is guilty of misconduct in his duties, or of any disgraceful conduct, or becomes incapable of performing his duties. With

* Thus, at the commencement of the August session of 1905 many resolutions were passed on the proposed separation of Church and State.

a view to removing this defect it is proposed to add after section 11 of the Bombay Local Boards Act, 1884, the following section :—

“ 11-A. The Governor in Council in the case of District Local Boards, and the Commissioner in the case of taluka local boards, may, if he thinks fit, on the recommendation of the local board remove any member of the local board elected or appointed under this Act, if such member has been guilty of misconduct in the discharge of his duties or of any disgraceful conduct or has become incapable of performing his duties as a member of the local board.”

With regard to the concluding clause of paragraph 798 I am to state that disputes of the first kind are already under section 25 of the Bombay Local Boards Act referable to the Courts. There is no other statutory provision regarding other disputes, and they would presumably be decided by the Commissioners, or possibly, if the matter were of an important nature, by Government. But such disputes must be of extremely rare occurrence, and in the opinion of the Governor in Council it is scarcely necessary to make special provision for them.

APPENDIX G.

(Vide paragraph 55.)

Extract paragraph 15 from letter No. 7273, dated 10th October 1913, from the Government of Bombay, General Department, to the Government of India, Department of Education (Local Boards).

15. The proposal that local boards should engage their own engineers, either by borrowing from the Public Works Department, or by recruiting independently for the execution of the works will have an effect directly opposed to that just contemplated. It involves a duplication of the staff for the performance of the same amount of work. At the same time it affords no solution of the question of cost which has been referred to above. After careful consideration therefore, His Excellency in Council is unable, at present advised, to recommend its general adoption in this Presidency, and will rather rely on the policy indicated in paragraphs 13 and 14 above for bringing about the desired improvement in the system of the execution of local fund works, although, as already indicated, he has no objection to recourse being had to it experimentally as a temporary expedient and to meet exceptional conditions.

APPENDIX GG.

(Vide paragraph 57.)

Extract paragraphs 122 to 124 of the Madras Local Fund Code.

122. The Engineer and his subordinates will be appointed by the President of the District Board in accordance with the rules given below. The sanction of Government is necessary, as in other cases, for all appointments carrying a maximum salary of Rs. 250 per mensem or upwards. The engineering establishment will be completely under the orders of the President.

G. O. No. 1231-L., dated 29th June 1887, L. F., P. W., Rule 2.

G. O. No. 758-L., dated 25th May 1908.

G. O. No. 228-L., dated 13th February 1912.

1. Local Boards should employ only Engineers locally born and trained or locally trained, and should recruit their staff from that source.

G. O. No. 473-L., dated 2nd May 1905.

2. The total cost of the engineering establishment should not exceed 20 per cent. of the outlay on works.

G. O. No. 721-L., dated 26th June 1886 (paragraph 68).

122-A. All persons who may be appointed to the office of District Board Engineer will be required to pass the third-class test in the chief vernacular of the district in which they are employed. The test will be conducted by the Board of Examiners.

A period of two years will be allowed for an officer to qualify in a vernacular language and until he so qualifies he will be considered to be on probation. If he fails to do so within that time, his appointment will be terminated except in special cases in which a short extension may be granted by Government on the recommendation of the President on special grounds.

G. O. No. 608-L., dated 14th May 1904, as modified in G. O. No. 113-L., dated 28th January 1907.

G. O. No. 1198-L., dated 23rd August 1912.

122-B. No person shall, without the express sanction of Government, be appointed to the office of Assistant Engineer, unless he has obtained either the University degree of B.E. or the Civil Engineering College certificate of the Engineer class.

G. Os. Nos. 999-L., dated 12th September 1905, and 758-L., dated 25th May 1908.

122-C. No person shall, without the express sanction of Government, be appointed to the post of Overseer or Sub-Overseer, either by promotion from a subordinate grade or otherwise, unless he has obtained one or other of the following certificates, namely :—

For the post of Overseer.—A certificate of the Sub-Overseer and Surveyor class of the College of Engineering, Madras, or a certificate as Lower Subordinate of the College of Engineering, Roorkee; or a certificate as Sub-Overseer of the College of Engineering, Sibpur or Poona.

For the post of Sub-Overseer.—A certificate of the draftsman class of the Engineering College, Madras, or a certificate as Mechanical draftsman or draftsman and computer of the College of Engineering, Roorkee, or a certificate as Sub-Overseer of the College of Engineering, Sibpur or Poona.

G. O. No. 969-L., dated 15th August 1906.

1. Presidents of District Boards are authorised to exempt unqualified persons for employment as Overseers and Sub-Overseers in temporary and acting vacancies for periods not exceeding six months at a time, if no qualified men are available, subject to the condition of the pay of acting men, is calculated on the minimum pay of the lowest grade of Overseers or Sub-Overseers as the case may be.

G. O. No. 947-L., dated 2nd July 1908.

123. The Engineer can transfer his subordinates from one range to another only with the previous approval of the President.

124. The following scale of salaries which is mainly based on the mileage of roads supervised and the amount of expenditure on Public Works, which the Engineers are required to control, is recommended for adoption by District

Boards. This scale will not be applicable to Engineers in the service on the 7th October 1903, except with the special sanction of Government in each case, but will apply to appointments made after that date. In filling up vacancies, preference shall be given to men already holding the appointment of Engineer or Assistant Engineer, provided that they are considered otherwise thoroughly suitable.

LOCAL FUND ENGINEERS.

Seven, first-class, on Rs. 600-10-900 each in the districts of Godavari, Guntur, Kistna, Madura, Malabar, Tanjore and Tinnevely.

G. O. No. 1380-L., dated 27th October 1900.

G. O. No. 150-L., dated 9th February 1905.

Five, second-class, on Rs. 500-10-700 each in the districts of North Arcot, South Arcot, Coimbatore, Salem and Vizagapatam.

Seven, third-class, on Rs. 400-10-600 each in the districts of South Canara, Chingleput, Cuddapah, Ganjam, Nellore, the Nilgiris and Trichinopoly.

G. O. No. 1635-L., dated 24th December 1904.

Three, fourth-class, on Rs. 300-10-500 each in the districts of Anantapur, Bellary and Kurnool.

Note.—The increments will be annual in all cases.

G. O. No. 1261-L., dated 7th October 1903.

G. O. No. 1423-L., dated 5th October 1912.

ASSISTANT LOCAL FUND ENGINEERS.

First class	...	...	Rs. 250—5—300
Second class	...	...	„ 200—5—250
Third class	...	...	„ 150—5—200

The number and grade of Assistant Engineers to be entertained in each district will be determined by Government from time to time. The above scale will not be applicable to Assistant Engineers in the service on the 24th December 1904 except with the special sanction of Government in each case, but will apply to appointments after that date.

G. O. No. 1631-L., dated 24th December 1904.

SUBORDINATE ENGINEERING STAFF.

The following scale of pay for the subordinate engineering staff is recommended for adoption by District Boards :—

<i>Overseers.</i>				Pay.
First grade	...	...	...	Rs. 100
Second grade	...	...	...	„ 80
Third grade	...	...	...	„ 60

Sub-Overseers.

First grade	...	...	...	Rs. 50—4—70*
Second grade	...	...	...	„ 40—2—50*
Third grade	...	...	...	„ 30—2—40*

G. O. No. 6-L., dated 16th January 1887.

G. O. No. 1675-L., dated 18th November 1907.

APPENDIX H.

(*Vide* paragraph 59.)

Extract paragraphs 6—9 from letter No. 7273, dated 10th October 1913, from the Government of Bombay, General Department, to the Government of India, Department of Education (Local Boards).

6. With regard to the proposal that the boards should maintain an engineering service of their own, the following alternative arrangements are discussed in the joint report of the Commissioners:—

- (i) that each individual board should appoint its own engineer and staff;
- (ii) that all the boards comprised in a single division should jointly maintain a general cadre of engineers who would be interchangeable between such boards;
- (iii) that Government should lend to individual boards the services of engineers on the Public Works Establishment in the same way that Government lend the services of their officers to municipalities for employment as Chief Officers, the boards paying the usual pay plus pension contribution.

7. The Commissioners represent that the last named system is free from the serious disadvantages which they have cited in paragraphs 7 and 8 of their joint report as attaching to the other two alternatives, and they recommend that Government should intimate to selected local boards their willingness to place at the disposal of any of them to services of a Public Works officer provided that such board agrees to pay him a salary commensurate with his position in Government service and the responsibilities of his new duties. They further suggest that a beginning in this direction might be made in two specified districts of the Presidency in which the Executive Engineer is exceptionally busy with purely Government work.

8. The Commissioner in Sind, on the other hand, is inclined to favour the entertainment of a well paid and highly qualified local fund engineer for the whole Province of Sind at the joint expense of all the local boards, with an assistant in each district (or possibly in some cases an assistant for two districts), such engineer, while technically in subordination to the several district local boards, being in practice controlled on their joint behalf by the Commissioner.

9. The Bombay Government have given very careful consideration to the several arrangements referred to above. With regard to the three alternatives discussed in the joint report of the Commissioners, they recognize the validity, so far at least as the Presidency proper is concerned, of the objections urged against that which contemplates the joint maintenance of a cadre of engineers by all the boards comprised in a single division, but they are not prepared to admit that the difficulties stated to exist in connexion with the engagement by individual boards of their own engineers would be insuperable, especially in the case of an exceptionally wealthy board having an unusually extensive programme of works for execution. While they are prepared, therefore, to approve the proposal recommended by the Commissioners in the joint report, they consider that the local boards concerned should not necessarily be required to draw on the ranks of the Public Works Department for the engineers they desire to employ, but should be given the alternative of engaging their engineers from outside the Government service should they consider it in their interests to do so.

* Biennial increments.

APPENDIX I.

(Vide paragraph 60.)

No. D/134 of 1915.

PUBLIC WORKS DEPARTMENT:
Mahableshwar, 27th October 1915.To
THE PRESIDENT,
Local Funds Committee.

Sir,

I have the honour to supply the information you asked for in your letter No. L. S. G./29, dated 24th September 1915.

2. From the figures at my disposal I have first of all divided the District Local Boards into three classes according to their expenditure on all works, Statement I.

1st Class	...	... spending over Rs. 2 lakhs.
2nd „	...	... between Rs. 1 and 2 lakhs.
3rd „	...	... under Rs. 1 lakh.

3. In Statement II, I have taken the approximate Public Works Department charges on works carried out by them. I have taken 10 per cent. but this is not correct; the only figures I had were for Belgaum, and these gave 9.9 per cent., 9.9 per cent. and 12.2 per cent. for the 3 years. For the purpose of Statement II, 10 per cent. is close enough. I then assume that in future the Public Works Department will not carry out more than one-fourth of the work they have done hitherto (column 5), and the saving in Public Works Department charges will therefore be three-fourths of column 3 = column 4.

If this be accepted the figure in column 4 gives the maximum cost permissible for the increase in Local Fund Engineer establishment charges.

4. I then proceed to estimate the cost of a staff necessary to deal with the expenditure of each district, in three classes. Certain officials can be lent by the Public Works Department, as stated in my evidence, and the rates entered are based upon this supposition.

The provisions made may appear somewhat liberal, but it is easy to underestimate requirements and then to experience difficulties in obtaining a qualified and trustworthy staff. The figures put down are averages and include therefore a provision for occasional promotion, *i. e.*, men would have to be appointed on lower pay to commence with. All districts are supposed to contain 2 sub-divisions. If 6 talukas go to the district, each sub-division would have 3 talukas in the 1st class district in charge of the 2 Upper Subordinates, and the Engineer would have command of the whole district.

In the 2nd and 3rd class districts, the Engineer would have command of the whole district and keep in his immediate charge either one or two talukas, and place the remainder under the Upper Subordinate.

A Lower Subordinate is provided for each taluka. The annual expenditure estimated is—

					Rs.
1st Class	...	...	...	...	30,792
2nd „	...	...	...	...	20,916
3rd „	...	...	...	...	16,392

The last are therefore the most expensive in proportion to their expenditure. I am not aware of the present Local Fund expenditure on engineering establish-

ment, but if it is roughly Rs. 9,000 per annum in each district, the increase in cost will be—

					Rs.
1st Class	...	...	...	...	22,000
2nd „	...	...	...	...	12,000
3rd „	...	...	...	...	7,000

Turning to Statement II we may compare—

22 with	...	{ 12 Thána, 20 East Khándesh.
12 with	...	{ 13 Sholápur, and about 6 average for the others.
7 with	...	{ 15 Broach, and about 4 average for the others.

But the Public Works Department charges in Sind are so low that it would certainly not pay to employ a staff of the nature outlined above in that province. The cost of the 3rd class establishment is about equal to what the 2nd class districts in the Deccan will save in Public Works charges, and it might be advisable to commence by appointing such an establishment for one of these districts in each division, with the single difference of the Engineer, who should be of the Sub-engineer class.

5. Statement III shows the powers I think may be entrusted to the Local Board Engineers. These powers may be looked on as maximum powers, and I would suggest that the lower powers, say for 3rd class, may be given to 2nd class Engineers in the first instance until the system has been tested for a year.

6. Finally I propose that the provisions of the Madras Local Fund Code be adopted, with some modifications as shown in the accompanying notes.

Where the new recommendations do not clash with the provisions of the existing Bombay Local Fund Code, as regards Engineering matters, these should generally be allowed to stand.

Account matters have not been dealt with. These can be settled in consultation with the Accountant General. Where the proposals affect officers of another department, *e. g.*, Sanitary Commissioner, the Committee will no doubt first consult that department before adopting the article.

I have the honour to be,

Sir,

Your most obedient servant,

H. F. BEALE,
Secretary to Government,
Public Works Department.

Documents accompanying—

Notes and statements referred to.

STATEMENT I.

Statement showing the total expenditure incurred by various Local Boards on works and repairs on their own account and by the Public Works Department on their behalf.

District.	1912-13.	1913-14.	1914-15.	Total.	Average.	
1	2	3	4	5	6	
<i>Deccan and Gujardt.</i>						
		In thousands of Rupees.				
1st Class ... {	1. Thána ...	3,26	2,55	2,31	8,12	2,71
	2. East Khándesh ...	3,79	2,88	3,20	9,87	3,29
	3. Sholápur ...	99	72	4,02	5,83	1,94
	4. Ahmedabad...	1,08	82	1,14	3,04	1,01
	5. Belgaum ...	1,22	1,27	1,36	3,85	1,28
	6. Dhárwár ...	1,30	2,04	77*	...	1,67†
2nd Class... {	7. Sátára ...	1,78	1,43	1,03	4,24	1,41
	8. West Khándesh ...	99	1,57	1,15	3,71	1,24
	9. Násik ...	1,46	1,33	99	3,78	1,26
	10. Poona ...	1,36	1,74	1,58	4,68	1,56
	11. Surat ...	2,88	2,86	2,72	8,46	2,82
	12. Broach ...					
	13. Kolába ...	45	80	93	...	86*
	14. Ratnágiri ...		65	15*	...	65
	15. Bijápur ...	76	93	96	2,65	(one year) 88
3rd Class ... {	16. Kánara ...	73	65	63	2,01	67
	17. Panch Maháls ...	1,72	3,54	3,85	5,26	1,75
	18. Kaira ...					
	19. Ahmednagar ...	98	77	81	2,56	85
<i>Sind.</i>						
2nd Class... {	20. Karáchi ...	81	1,33	1,35	3,49	1,16
	21. Hyderabad ...	1,50	91	32*	...	1,21*
	22. Lárkhána ...	74	96	36*	...	85*
	23. Sukkur ...	85	78	...*	...	82*
3rd Class ... {	24. Mirpur Khás ...	1,03	99	90	2,95	98
	25. Upper Sind Frontier ...	59	77	61	1,97	66
	26. Nawábshah ...	29*	86	10*	...	86
						one year's figure.

* Local Fund figures not available.

† = Average for 2 years.

STATEMENT IA.

The expenditure incurred in the various districts in the Deccan and Gujarát by the Public Works Department on behalf of Local Funds.

District.	1912-13.	1913-14.	1914-15.	Total.	Average.
1	2	3	4	5	6
	In thousands of Rupees.				
1. Thána ...	1,97	1,52	1,41	4,90	1,63
2. East Khándesh ...	3,34	2,40	2,42	8,16	2,72
3. Sholápur ...	74	46	3,83	5,03	1,63
4. Ahmedabad ...	46	44	59	1,50	50
5. Belgaum ...	82	78	69	2,28	76
6. Dhárwár ...	64	1,13	77	2,00	67
7. Sátára ...	1,31	93	51	2,75	92
8. West Khándesh ...	64	1,26	78	2,68	89
9. Násik ...	1,02	90	55	2,47	82
10. Poona ...	75	1,06	89	2,70	90
11. Surat ...	1,21	1,41	1,13	3,75	1,25
12. Broach ...					
13. Kolába ...	...	16	13	29	14*
14. Ratnágiri ...	45	21	15	36	18*
15. Bijápur ...	40	58	41	1,39	46
16. Kánara ...	22	28	23	73	24
17. Panch Maháls ...	90	1,06	1,13	3,09	1,03
18. Kaira ...					
19. Ahmednagar ...	54	47	69	1,70	85
NOTE.—These figures do not include Establishment and Tools and Plant charges.					
<i>Sind.</i>					
20. Karáchi ...	...	56	24	80	27
21. Hyderabad ...	26	22	32	80	27
22. Lárkhána ...	...	16	36	52	17
23. Sukkur ...	...	1	...	1	3
24. Mirpur Khás ...	55	42	35	1,12	37
25. Upper Sind Frontier ...	...	14	8	22	7
26. Nawábshah ...	29	13	10	57	19

* = Two years' average.

STATEMENT I (b).

The expenditure incurred by Local Boards on Works and Repairs, carried out by their own staff.

District.	1912-13.	1913-14.	1914-15.	Total.	Average.
1	2	3	4	5	6
<i>Deccan and Gujarat.</i>					
	(In thousands of rupees.)				
1. Thána ...	1,28	1,03	90	3,21	1,07
2. East Khándesh ...	45	48	78	1,71	57
3. Sholápur ...	25	26	19	70	23
4. Ahmedabad ...	62	48	55	1,65	55
5. Belgaum ...	40	49	67	1,56	52
6. Dhárwár ...	66	91	A	...	78*
7. Sátára ...	47	50	52	1,49	50
8. West Khándesh ...	35	31	37	1,03	34
9. Násik ...	44	43	44	1,31	44
10. Poona ...	61	68	69	1,98	66
11. Surat ...	1,67	1,45	1,59	4,71	1,57
12. Broach ...					
13. Ratnágiri ...	35	44	A	...	39*
14. Kolába ...	48	64	80	1,92	64
15. Bijápur ...	36	35	55	1,26	42
16. Kánara ...	51	37	40	1,28	43
17. Panch Maháls ...	84	2,48	76	4,08	1,36
18. Kaira ...					
19. Ahmednagar ...	44	30	21	95	32
<i>Sind.</i>					
20. Karáchi ...	81	77	1,01	2,59	86
21. Hyderabad ...	1,24	69	A	...	96*
22. Lárkhána ...	74	50	A	...	77*
23. Sukkur ...	85	77	A	...	81*
24. Mirpur Khás ...	71	57	55	1,83	61
25. Upper Sind Frontier ...	59	63	53	1,75	58
26. Nawábshah ...	A	68	A	...	68 (one year)

A = Figures not available.

* Two years' average.

STATEMENT II.

Statement showing approximate cost of works which must remain to be carried out by the Public Works Department and probable saving to Local Funds.

District.	Average cost of works carried out by Public Works Department.	Public Works Department Charges.	% of Public Works Department Charges.	Cost of work which will remain with Public Works Department.	
	(Rupees in thousands.)				
1st Class ... {	1. Thána ...	1,63	16	12	41
	2. East Khándesh ...	2,72	27	20	70
	3. Sholápur ...	1,68	17	13	42
	4. Ahmedabad ...	50	5	4	12
	5. Belgaum ...	76	8	6	19
	6. Dhárwár ...	67	7	5	17
2nd Class... {	7. Sátára ...	92	9	7	23
	8. West Khándesh ...	89	9	7	22
	9. Násik ...	82	8	6	20
	10. Poona ...	90	9	7	22
	11. Surat ...	30	3	2	7
	12. Broach ...	20	2	15	5
	13. Kolába ...	*14	1	75	3
	14. Ratnágiri ...	*18	2	15	4
3rd Class ... {	15. Bijápur ...	46	5	4	11
	16. Kánara ...	24	2	15	6
	17. Panch Maháls ...	53	5	4	13
	18. Kaira ...	50	5	4	13
	19. Ahmednagar ...	85	8	6	21
	<i>Sind.</i>				
2nd Class... {	20. Karáchi ...	27	3	2	7
	21. Hyderabad ...	27	3	2	7
	22. Lárkhána ...	17	2	15	4
	23. Sukkur ...	3	0.3	0.2	0.1
3rd Class ... {	24. Mirpur Khás ...	37	4	3	9
	25. Upper Sind Frontier ...	7	0.7	5	2
	26. Nawábshah ...	19	2	15	5

* = Two years' average.

STATEMENT III.

Powers of various Local Board's Engineers.

Powers.	First Class Board.	Second Class Board.	Third Class Board.
<i>Original Works.</i>			
	Rs.	Rs.	Rs.
1. To sanction new works or additions to the extent of .	2,000	1,500	1,000
2. To sanction trifling alterations in the constructive details of works during their execution in cases of necessity, reporting, as a general rule, their action to the Government Executive Engineer.	...	...	...
3. To divert the provision for contingencies to new works or repairs not provided for in the estimate to the extent of for each item.	500	200	50
4. To sanction the sale of surplus articles at site of any work at their full value up to a limit of.	500	200	50
5.* Construction of works properly estimated and sanctioned.	50,000	20,000	10,000
<i>Repairs.</i>			
6. To sanction ordinary repairs within limits of ...	Budget allotment.	Budget allotment.	Budget allotment.
7. To sanction emergent repairs in case of imminent danger to structure provided that the estimate is sanctioned subsequently by proper authority.	...	Reasonable amount.	...
<i>Contracts.</i>			
8. To accept tenders for the execution of sanctioned works by contract up to.	2,000	1,000	500
<i>Tools and Plant.</i>			
9. To sanction the purchase or manufacture of Tools and Plant (not including office furniture and live stock) for each estimate.	300	100	50
10. To sanction the repair of Tools and Plant to each estimate to the extent of.	300	100	50
11. To sanction the writing off the Return of Tools and Plant the full value of which has been recovered.	Subject to	Local Board's approval.	
12. To order any stores in part of a regularly sanctioned estimate subject to the conditions laid down in Appendix and to the limits of.	300	100	50

* See notes at end.

Plans and Estimates.

1. Works costing over Rs. 2,000, Rs. 1,500 and Rs. 1,000 for First Class, Second Class and Third Class Local Boards must have their plans and estimates approved by the Government Executive Engineer.

2. The Government Executive Engineer may sanction plans and estimates for works the cost of which does not exceed Rs. 2,500. For works costing more than Rs. 2,500 plans and estimates must be technically approved by the Superintending Engineer, provided the cost is met wholly from Local Funds.

The Government Executive Engineer is empowered to deal with such cases of the sale of surplus materials, acceptance of tenders for contracts, the

purchase, manufacture, sale and repairs of Tools and Plant to the extent of his powers in accordance with the Public Works Department Code.

Such cases as may be beyond his powers will be submitted by him to the Superintending Engineer of the Division and dealt with by that officer according to his powers.

But in the case of all works being constructed by the Local Fund Engineer whenever higher sanction is wanted it must be obtained from the Local Board.

Executive Engineer should be considered the technical adviser of the President of the Local Boards on all Engineering works.

He will not be responsible for any work being carried out by Local Fund Engineer, but if asked to do so he will inspect the work and give necessary orders.

STAFF REQUIRED BY FIRST CLASS LOCAL BOARD.

Public Works Department officials lent for 3 years—deputation at 1/5 over pay.

			Rs.
Engineering	... 1	Engineer (Provincial Assistant Engineer) ...	480
Subordinate	... {	1 Upper subordinate (Sub-Engineer) ...	300
		1 do. do. (Overseer) ...	100
Assuming 6 talukas .	6	Lower subordinates at Rs. 50 consolidated...	300
Accounts and Clerical.	{	1 Accountant, 4th Grade ...	100
		7 Clerks (3 for Engineer and 4 for Upper subordinates, at Rs. 60, 40, 30, 2 at 20 and 2 at 30, respectively) ...	230
Drawing ...	... {	1 Draftsman ...	50
		2 Tracers ...	60
Menial ...	... {	3 Peons for Engineer at Rs. 10, 9 and 8 ...	27
		2 Peons for Upper subordinates at Rs. 8 ...	16
		1 Chowkidar ...	8
Accommodation	... {	Office for Engineer—Rent ...	100
		Office for Upper subordinates (2) ...	40
Stores ...	... {	1 Storekeeper ...	60
		1 Store clerk ...	30
Travelling Allowances.	{	Engineer ...	120
		Subordinates { (Upper 3 + 1) ...	120
		(Lower 6 x 1) ...	180
Stamps, petty items, cart hire, office boxes, etc. ...	{	Clerical and menial Re. 1 per day ...	45
		Office contingencies ...	200
Total ...			2,566
Annual Expenditure ...			30,792

STAFF REQUIRED BY SECOND CLASS LOCAL BOARD.

With deputation Allowance Rs. 300 to 360.

Engineering	... 1	Upper subordinate (Sub-Engineer) (average)	330
Subordinate	... {	1 Upper subordinate (Overseer) ...	120
		6 Lower subordinates at Rs. 50 consolidated .	300
Accounts and Clerical.	{	1 Accountant ...	80
		5 Clerks (3 for Engineer and 2 for Upper subordinate, at Rs. 60, 40, 30, 30, and 20).	180

		Rs.
Drawing ...	{ 1 Draftsman	50
	{ 1 Tracer	30
Menial ...	{ 3 Peons for Engineer (at Rs. 10, 9 and 8) ...	27
	{ 1 Peon for Upper subordinate (Overseer) ...	8
	{ 1 Chowkidar	8
Accommodation ...	{ Office for Engineer—Rent	80
	{ Office for Upper subordinate	20
Stores ...	{ Storekeeper	50
	{ Store clerk	20
Travelling Allowances.	{ Upper Subordinate, Rs. 3	90
	{ Subordinates { Upper, Rs. 1-8-0	30
	{ Lower, 5 × 1 Re.	150
	{ Clerical and menial, Re. 1 per day	30
	{ Office contingencies	150
Total ...		1,743
Annual Expenditure ...		20,916

STAFF REQUIRED BY THIRD CLASS LOCAL BOARD.

Engineering ...	{ 1 Upper subordinate (Supervisor) ...	210
	{ 1 Upper subordinate (Overseer) ...	100
Subordinate ...	6 Lower subordinates at Rs. 50 consolidated...	300
Accounts and Clerical.	{ 1 Deputy Accountant	60
	{ 5 Clerks at Rs. 40, 30, 30, 20 and 20	140
Drawing ...	1 Draftsman	40
Menial ...	{ 3 Peons (at Rs. 10, 9 and 8)	27
	{ 1 Peon for 2nd man (Overseer)	9
	{ 1 Chowkidar	8
Accommodation ...	{ Office for Engineer—Rent	60
	{ Office for subordinate (Overseer)	20
Stores ...	{ 1 Storekeeper	40
	{ Store clerk	20
Travelling Allowances.	{ Upper subordinate, Rs. 2	60
	{ Subordinates { Upper, Rs. 1-8-0	30
	{ Lower, 6 × 1 Re.	120
	{ Clerical and menial, Re. 0-12-0	22
	{ Office contingencies	100
Total ...		1,366
Annual Expenditure ...		16,392

LOCAL BOARD ENGINEER AND STAFF.

Madras Local Fund Code.—Section 122. Adopt and add “who may ask the Executive Engineer, Public Works Department, to advise him, or to examine any work being carried out by the Local Board Engineer. The Executive Engineer will not thereby render himself responsible for such works”.

Section 122A. Adopt, modified as may be required.

Section 122B. The Superintending Engineer will advise on the point of appointment of Engineer for a Local Board. The person shall have obtained the University degree of B.E. or the L.C.E. degree of the College of Engineering, Poona, or an equivalent degree from another University, or the engineering certificate of the D. J. College in Sind, or Rurki College, for the post of Engineer.

Section 122C. For the post of overseer or upper subordinate the person shall have obtained the B.E. or L.C.E. degree, or certificate of D. J. College in Sind or Rurki College. For the appointment of Upper Subordinates, Executive Engineer, Public Works Department, will advise. For the post of sub-overseer the person shall have obtained a certificate of sub-overseer of the College of Engineering, Poona, or D. J. College in Sind, or some equivalent training.

Section 124. The following scale of average salaries is recommended for adoption by Local Boards :—

Local Fund Engineers.

	Average.
First Class (Assistant Engineer) ...	Rs. 480 per month.
Second „ (Sub-Engineer) ...	„ 330 „ „
Third „ (Supervisor) ...	„ 210 „ „

Subordinate Engineer Staff.

1st Class Board ...	{	Sub-Engineer ...	Rs. 300 per month.
		Overseer ...	„ 100 „ „
		Sub-overseer ...	„ 50 „ „
2nd „ „ ...	{	Overseer ...	„ 120 „ „
		Sub-overseer ...	„ 50 „ „
3rd „ „ ...	{	Overseer ...	„ 100 „ „
		Sub-overseer ...	„ 50 „ „

Details of Public Works allotments.

Madras Local Fund Code.—Section 302. Statements, *Part III and *Part IV. All works whether new or repairs should be separately entered in these statements.

Section 303. Unsanctioned projects for new works must not be entered.

Section 304. Adopt.

CODE FOR LOCAL BOARD ENGINEERS.

Plans and Estimates.

Madras Local Fund Code.—See Chapter XIII—Plans and estimates.

Sections 426, 427, 428 may be *left out* as these definitions are given in sections 16 and 17 of Bombay Local Board Rules.

Sections 429, 430, 431. Adopt.

Section 432. Adopt 3rd clause and add :—“Marryat's specifications are the standard in the Bombay Presidency and they should be adopted.”

Sections 433, 434, 435. Adopt.

Section 436. Alter earthwork to 100 c. ft. unit and instead of 1,000 c. ft., adopt 1 cubic foot instead of 1,000 c. ft. for buildings, measuring external dimensions to the height measured from ground level to $\frac{1}{2}$ height of roof.

Section 437. Adopt. Public Works Department schedules will be available.

Sections 438, 439. Adopt. Where “Superintending Engineer” appears substitute “Executive Engineer”.

Sections 440, 441. Adopt.

Section 443. Adopt.

* These parts pertain to Bombay Local Fund Rules.

Sections 444, 445, 446. Adopt.

Section 447. Omit "without the sanction of Government".

Section 448. Adopt. Instead of "without Government" say of the Local Board.

Section 449. Adopt but no diversion of the provision for contingencies to any new work or repair which is not provided for in the estimate may be made without the sanction of the Local Board.

Sections 451, 452. Adopt.

Sections 453, 454, 455. Adopt.

Section 456. For "article 428" read "paragraph 17 of Bombay Local Board Rules". For form 72 some suitable form should be adopted.

Section 457. Adopt.

Section 458. Adopt—alter Form No.

Section 459. Adopt with suitable modification.

Section 460. The powers of Taluka Local Boards can be settled by Local Board Committee.

Section 461. Estimates for original works to be carried out by any Local Board may be sanctioned subject to the provisions contained in article 462 *post* and to the limits* laid down for the three classes of Local Boards.

Section 462. Government Executive Engineer's approval to be obtained to all estimates for original works over Rs. 2,000 up to Rs. 2,500 and Superintending Engineer's approval for works costing more than Rs. 2,500. In the case of other works costing less than Rs. 2,000 Executive Engineer may be consulted.

Section 463. For "Rs. 5,000" substitute "Rs. 2,500", add "over Rs. 2,500" after "costing" in the fourth line of this article. Delete "not more than Rs. 20,000" and for the sentence "But estimates to Government" substitute "But estimates of works to be carried out by Public Works Department, when exceeding the Superintending Engineer's sanction according to the Public Works Code must be referred to the Chief Engineer".

Sanitary Works.

Section 464. Adopt.

Sections 465 to 471. The Sanitary Engineer and his staff's services will be available, in the same way as those of the Superintending Engineer and Executive Engineer.

(For other provisions the Sanitary Board may be consulted by the Local Fund Committee.)

Section 472. Adopt.

Sections 473, 474, with the necessary modifications. Adopt.

Section 476. Delete "where Government authority". Exclude Note 1.

Section 477. Adopt.

Section 478. „ Alter Form No.

Section 481. „

Section 482. „

Section 483. „ Delete "or Rs. 100 whichever is less".

Section 481. „ with necessary modification.

Execution of Works.

Section 485. Adopt.

	I	II	III
	50,000,	20,000,	10,000.

Sections 486, 487. Adopt.

Utilization of savings. Section 487-A. This may be considered by Local Boards Committee.

Section 488. Adopt.

Section 489. The portion pertaining to minimum allotment will be considered by Local Board Committee. The rest may stand.

Section 490. Adopt.

Section 491. „

Section 492. Delete "A" system contracts.

Section 493. Adopt.

Section 494. Omit last sentence after words "sanctioned estimate".

Section 495. Adopt.

Sections 497, 498. Adopt.

Section 499. Acceptance of tenders as given for the various classes of Local Boards Rs. 2,000, 1,000 and 500 for works, and Rs. 300, 100 and 50 for tools and plant and stores.

The names of firms should be as on Bombay Government Lists.

Section 500. Adopt.

Section 501. Modify as required.

Section 502. Adopt.

Section 503. Modify as required.

Section 504. Adopt.

Section 506. „

Section 507. Government pattern measurement books, forms, etc., should be adopted.

Sections 508 to 513. Adopt.

Sections 514, 515. „

Section 516. Delete "in addition to 79-A." and insert a suitable sentence relating to measurement book adopted.

Sections 517, 518. Adopt.

Sections 519, 520, 521. Adopt.

Section 523. Adopt, and modify as required.

Section 524. Adopt. "The Engineer Government, Public Works Department." The district will ordinarily be divided into two sub-divisions, and a suitable number of talukas in charge of lower subordinates. In a second class district the Engineer will hold charge of a small sub-division in addition to the whole district, and also in a 3rd class district.

Section 525. Adopt.

Sections 526, 527. Adopt.

Section 528. Substitute "sub-overseers" for "Range officers". The Engineer and sub-divisional officers should inspect the work of the lower subordinates as often as they can.

Section 529. Adopt.

Sections 530, 531. Adopt. Suitable form being adopted.

Section 532. Adopt.

Section 533. „

Sections 535, 536, 537, 539, 540. Adopt.

Section 541. Adopt.

The clauses relating to procedure in regard to payments, accounts and returns of Subordinates, Engineers' accounts and records have not been considered. These can be settled in consultation with the Accountant General.

APPENDIX II.

*(Vide paragraph 65.)**Paragraph 787 of the Decentralization Commission's Report.*

787. Here, again, such large outside control materially reduces the independence of the boards. We are, however, in favour of some control over them in the matter of establishments. Where the district board entertain engineers, paid secretaries or district health officers, the sanction of the Commissioner should be required to the settlement or alteration of the emoluments of such posts or to the appointment or dismissal of the holder. Such control is desirable in order to secure full qualified men for such important posts and to protect officials who may have to incur some local unpopularity in the conscientious discharge of their duties.

In regard to the ordinary rural board establishments, we consider that a sufficient measure of control will be obtained through the promulgation, by the local Government, of model bye-laws or schedules, which shall lay down general rules in respect to such matters as leave, acting and travelling allowances, pensions or provident funds, and the maximum salaries to be given to board officials of various classes. If a board considers that its circumstances warrant the modification of such bye-laws or schedules, the variation desired should require the sanction of the local Government, or, in the matter of salary limits, of the Commissioner.

In other respects, however, we would give the boards a free hand in regard to the creation and filling up of appointments, and full power to punish or dismiss their officials. The appointment, promotion and serious punishment of these should be by the collective board, on the recommendation of the president, while minor punishment might be inflicted by the president, subject to an appeal to the board. We would not, however, allow appeal to an outside authority.

APPENDIX J.

*(Vide paragraph 67.)**Extract from Chapter III of the Central Provinces Education Manual.
(Paragraphs 36 and 37.)*

36. The rules laid down in the Education Manual regarding general management, curricula, discipline and moral and physical training as applicable to a Government school apply equally to Board schools.

Application of Departmental rules to Board schools.

37. Subject to revision by the Deputy Commissioner, the appointment, promotion, transfer within the district, grant of leave of absence, fining, suspension, reduction and dismissal of teachers in Board schools shall (except as hereinafter provided) rest with the local body.

Control of teachers.

The pay of a teacher employed in a District Council school prior to the date (1st April 1985) of its transfer from Government, and who is consequently rendering pensionable service, shall not be altered, nor shall he be transferred nor dismissed without the special sanction of the Deputy Commissioner.

List of teachers rendering pensionable service in Board schools shall be sent annually by each District Council and Municipality concerned to the Comptroller.

The appointment and transfer of teachers in Municipal High and Anglo-Vernacular Middle schools is vested in the Director. Provided that when the Director proposes to transfer any such teacher with a view to promotion, he shall give due notice to the Municipal Committee, so that if the latter choose to give the increased pay to be gained by transfer they may submit proposals for retaining the teacher whom it is proposed to move. This power may be delegated by the Director to the Inspector as regards teachers drawing pay not exceeding Rs. 25 per mensem.

Without the written permission of the Inspector, or as a purely temporary measure, a person shall not be appointed to be a teacher unless he has the requisite teacher's certificate. A half-yearly statement of newly appointed teachers shall be forwarded by the Local Body to the Inspector.

New appointments on the teaching staff of a District Council shall not be created nor shall any addition be made, whether by way of increase of pay or grant of gratuities or rewards, or otherwise, to the remuneration of any existing appointment on that staff except in accordance with the rules for the time being in force regarding District Council establishments.

APPENDIX K.

(Vide paragraph 87.)

No. 3251 of 1915.

From

THE HONOURABLE MR. H. S. LAWRENCE, I. C. S.,
Acting Commissioner, Southern Division ;

F. G. PRATT, ESQUIRE, I. C. S.,
Acting Commissioner, Northern Division ;

C. N. SEDDON, ESQUIRE, I. C. S.,
Acting Commissioner, Central Division ,

To

THE CHIEF SECRETARY TO GOVERNMENT,
Revenue Department, Bombay.

Poona, 29th July 1915.

SIR,

The Commissioners have had under their consideration for the last year the question of the improvement of the financial position of the District Local Boards in this Presidency. In view of the recent discussion on this subject in the Legislative Council we consider it desirable to place Government at once in possession of the result of the enquiries which we have so far conducted, and we submit a note drawn up by one of our members (the Honourable Mr. Lawrence) showing in greater detail the views he holds. With most of the suggestions contained in this Note the Commissioners, Northern and Central Divisions, sympathise; if they do not entirely accept it, it is because they think some further enquiry and discussion desirable before the expression of opinions so definite.

2. It is unnecessary to elaborate the argument that our local revenue is inelastic and wholly insufficient to meet the demands of local needs. The spread of education is awaking a demand for social reform in the widest sense, and the financial resources of District Boards are strained even to maintain the standard of public conveniences provided in the past.

3. Various suggestions have been made in order to secure additional revenues. The Collectors of Districts in which Irrigation, Forests and Excise are important branches of revenue, all press the claim of their Districts to a share on behalf of the Local Board. The weakness of these suggestions lies in the inequality of the assistance that would thus be rendered. For instance, while an Irrigation cess would assist Poona, Ahmednagar and Násik, it would be no help to Kaira or the Panch Maháls; while a Forest cess would bring rupees one lách of revenue to the Kánara Board, it would bring nothing to Broach; while an Excise cess in Surat would bring in more than rupees one lách, in Bijápur it would bring in Rs. 28 thousand.

4. We have the honour to recommend to the consideration of Government the following suggestions :

- (1) That Local Boards be empowered to raise the Local Fund cess up to a maximum of 2 annas in the rupee ;
- (2) That the scope of Chapter XIV of the District Municipal Act, 1901, be extended to include a larger number of important villages and that Notified Areas (which we should prefer to term village panchayats or committees) should assume their share of responsibilities of self-government ;
- (3) That Local Boards be permitted to levy a cess upon the Income Tax ;
- (4) That Provincial subventions be largely increased. (We invite attention to the fact that in 1905 the Government of India granted a subvention of Rs. 7 lakhs on the basis of a contribution of 25 per cent. of the land cess, and expressed the hope that the grant would be maintained by the Local Government at this proportion. This request appears to have been overlooked and the grant has remained unchanged.)

5. The Royal Commission on Decentralization in paragraphs 753 and 754 of their report proposed that District Local Boards should have the management of primary education.

This Commission further proposed in paragraph 749 that the restrictions imposed by law on the execution of Public Works by Local Board Agency should be removed.

We are of opinion that the existing system should be fully examined, and that it may be necessary to revise the law and the regulations on these points.

6. These latter recommendations involve the entertainment by District Local Boards of a well paid Agency of their own, and the details required to be fully considered in consultation with the Educational and Public Works Departments. We content ourselves now with expressing the opinion that the change of system proposed would be beneficial to the administration of these two departments and would result in infusing a new spirit of energy and responsibility into District Local Boards.

We have the honour to be,

Sir,

Your most obedient servants,

H. S. LAWRENCE,

Acting Commissioner, S. D.

F. G. PRATT,

Acting Commissioner, N. D.

C. N. SEDDON,

Acting Commissioner, C. D.

NOTE.

The Government of India in the Review of local self-government which they published with their Resolution dated 28th April 1915 drew attention to the view of the Royal Commission on Decentralization that the want of success of the present system was due "largely to the circumscription of the powers and resources" of the rural Boards. An examination of these two points is therefore desirable.

2. First, in regard to financial resources. A comparison of the growth of the Provincial and Local Board revenues in the last 25 years shows that the expansion of the Local Board revenues has in no way kept pace with the expansion of the Provincial revenues.

During this period the provincial revenues have increased from Rs. 380 lakhs to Rs. 790 lakhs.

The Local Board revenues inclusive of Government subventions have increased from Rs. 43 lakhs to Rs. 81 lakhs, and exclusive of these subventions from Rs. 33 lakhs to Rs. 47 lakhs.

Thus, out of Rs. 410 lakhs of additional Government revenue the increased allotment to District Local Boards has amounted to Rs. 24 lakhs or only 6 per cent.

3. In view of the importance to rural life of the services controlled by Local Boards it is submitted that a considerable enhancement of the provincial subventions would be justified. In order, however, to awaken and strengthen the sense of responsibility of Local Boards, it is most important to give them the power of self-taxation for the benefit of their local areas, and to encourage them to use that power.

This system has been adopted with conspicuous success for the improvement of the roads in England by the Road Board which was created there in 1909. That Board has given large grants to local Highway authorities and has contributed 75 per cent. of the net cost of the improvements. A similar policy would probably be effective in developing a similar spirit of enterprise amongst Local Boards.

4. The first obstacle, however, lies in the Local Funds Act of 1869, which in section 6 fixes the limit of the Local cess at one anna in the rupee, and the first step necessary is the revision of this section. It is true that the Royal Commission in paragraph 774 of their Report disapproved of any proposal to raise this cess. But the Government of India in paragraph 30 of their Review clearly indicate that they are prepared to consider such a proposal on its merits. It is submitted therefore that the law may be amended in this respect and authority be conferred on District Local Boards to raise the Local Fund cess up to the limit of 2 annas in the rupee of the land assessment.

This cess represents Rs. 33 lakhs, or as shown in the Government of India Review, 43 per cent. of the total income; and an increase of this cess would therefore be by far the most important source of revenue derived from additional taxation.

5. The next point to which attention is invited is education. One-third of the Local Fund cess (or Rs. 11 lakhs) is allotted to this head; and Government have recently contributed over Rs. 20 lakhs. There is a general complaint, however, that the buildings are bad and the masters underpaid and it is clear that the expenditure must largely increase in volume as soon as funds can be provided.

6. It is notorious, however, that the schools are attended largely by the sons of traders who pay little or nothing to the rates. In 1899 Government proposed to remedy this anomaly in some degree by enabling the larger villages to be constituted Notified Areas. It was intended that such Notified Areas should levy taxation and contribute to the cost of their schools, medical relief, roads, etc. It was estimated that 246 such local authorities would be established. The Act was modified in Council, however, so as to limit such areas to Taluka Head-quarter towns and towns on the Railway, and in place of 246, last year, there existed in the N. D. 7, C. D. 4 and S. D. 8 Committees. And during these fourteen years since the enactment was framed, the main purpose of the provision has been lost sight of, and very few Notified Areas make any such contribution. The omission can, and, should, be now repaired, and it is suggested for the consideration of Government that the law should be amended by a revision of the definition of a Notified Area in accordance with the original plan. If this were done they should be in a position to give effective assistance to Local Boards in lightening the burden of educational expenditure on the principal schools and in improving, by contributions, the condition of the Local Fund roads, with which their interests are closely bound up.

7. The development of these Notified Areas is of special importance for they represent a most hopeful step in the progress of village self-government; while it is remarkable that their existence and the legal provisions on the subject have escaped the attention equally of the Royal Commission and of the Government of India in their recent Review. Much has been written regarding a village panchayat and the desirability of legislation to establish this body.

In the Notified Area there exists the village panchayat of five persons, and the legal frame-work is ready. It will be a simple matter to bring the provisions into force within the limits now allowed by law, and if the amendment is accepted the system is capable of wide extension.

8. The other sources of revenue proposed by the Collectors are cesses on Irrigation and on the Income-tax. The Irrigation cess is already under the consideration of Government and needs no further discussion. If the suggestion of an increase of the Local Fund cess meets with the approval of Government, the time-honoured problem of the exemption of the non-agricultural classes from all contribution to Local Board revenues will assume still graver proportions ; and it would be well to examine afresh the arguments which have in the past prohibited a local levy on the income-tax. The main objection alleged is understood to have been interference with a source of Imperial revenue. In view, however, of the recent development of income-tax in England and of the fact that the tax in India has remained for nearly 30 years at approximately $2\frac{1}{2}$ per cent. of the income, there seems to be little force in the view that a local levy of 2 annas in the rupee of income-tax would in any degree hamper the operations of the Imperial Exchequer. Such a levy would undoubtedly be popular with the agricultural rate payer and representing as it would 5 annas in rupees one hundred of income it could scarcely be denounced as an injustice by the income-tax payer.

In this connection attention is invited to paragraph 744 of the report of the Royal Commission. The Government of the India were prepared in 1882 to allow Local Boards to levy a license tax. This was merged in the income-tax : and it is now clearly possible to retain the administration of the income-tax under Government management and at the same time to grant to Local Boards a share in the additional revenue that may be levied.

9. To return now to provincial subventions—suggestions have been made that all District Local Boards should share in the Forst and Excise revenues collected within their districts. This measure would result in grave anomalies. However, the fact that these and other resources of the Provincial Government have increased greatly in recent years appears to justify the claim of all District Boards to liberal assistance. It is true that liberal grants have been made in recent years for specific objects. But it is very respectfully submitted that this system of ear-marked doles is not fully adopted to awaken a spirit of responsibility in Local Boards.

Two objections of weight will no doubt be urged :—

Firstly—that if the system suggested in paragraph 3 of an allotment in proportion to local contributions be adopted, more assistance will be given to the richer boards than to the poorer. To this it may be replied that the adoption of this principle would not debar Government from granting such further assistance as may be necessary in cases of genuine poverty.

Secondly—that the provincial revenues do not permit of liberal grants. In reply, it may be pointed out that the grant for Public Works alone has increased in the last 25 years from Rs. 40 lakhs to over Rs. 100 lakhs, and that the necessities of the current year have been met by reduction from Rs. 105 lakhs to Rs. 72 lakhs.

It is for Government to weigh the comparative importance of continuing the progress of Public Works on the scale recently adopted and of the equipment of Local Boards with adequate financial resources.

10. There remains for consideration the question of the powers of the District Boards and this question assumes chief prominence in respect of the Educational and Public Works Departments.

11. *Education*.—The educational expenditure of District Local Boards has increased from 14 lakhs in 1891 to 32 lakhs in 1913-14. The number of schools has increased as shown in the margin. The three Educational Inspectors are responsible for all questions connected with the appointment, promotion, transfer and leave, etc., of 12,000 village school masters. Such centralization is detrimental to efficiency. All these officers are

		<i>No. of Schools.</i>	
		1891.	1914.
N. D.	...	1,195	1,751
C. D.	...	1,539	2,837
S. D.	...	1,237	2,100
		<hr/>	<hr/>
		3,971	6,708

overwhelmed with petty details of unimportant work. It is submitted that in accordance with the practice followed in certain other provinces of India the management of primary schools should be entrusted to an educational committee of the District Local Boards.

12. *Public Works*.— The restrictions on the power of the District Local Boards are contained in sections 57 and 61 of the Local Boards Act. The law requires that for every work which costs in the case of a road over Rs. 50 per mile or in any other case Rs. 500 in total, the plans and estimates shall be prepared and approved by the Government Executive Engineer, and the executive orders of Government further prescribe that every work which costs over Rs. 2,500 shall be executed by the Government Executive Engineer.

13. The result has been, firstly, to discourage the District Local Boards from entertaining a competent staff of their own, and, secondly, to overwhelm the Government Executive Engineers with a volume of work of comparatively trivial importance. Moreover, the increase in purely Government work of the Department has been out of all proportion to the increase in the staff of the Department. Twenty-five years ago, the Public Works Budget averaged some Rs. 40 lakhs. In 1913-14, it exceeded Rs. 100 lakhs. The increase in staff has been in comparison very slight. There can be no doubt that if the District Local Boards were enabled to entertain an efficient staff much relief would be given to a department which is now taxed to the limit of its resources.

14. Finally, with reference to the staff of District Local Boards. At present all the supervision and a large share of the executive work are given to Local Boards free of cost by the Revenue and Educational Departments. It is unnecessary to consider at this stage what connection the Revenue Department should retain in this work, but it would appear desirable to create for the District Local Board a separate executive establishment.

For educational work the Educational Department will probably be able to transfer the services of several Deputy and Assistant Educational Inspectors, and Government would be able to contribute the sum represented by their salaries.

For Public Works, the District Local Boards are already charged 10 per cent. if the work is executed by the Government Engineer and $1\frac{1}{2}$ per cent. for the use of Provincial tools and plants, and $2\frac{1}{2}$ per cent. if the plans and estimates are prepared by this officer. Savings on these items will go some way to meet the cost of the Local Fund Engineering staff.

A secretary will be required of a position enabling him to exercise authority over these departmental officers. But the total additional cost of this reorganized staff should work out to a small percentage of the revenue and expenditure for which they would be responsible.

23rd July 1915.

H. S. LAWRENCE.

APPENDIX L.

(*Vide* paragraph 96.)

Extract from "Public Finance" by C. F. Bastable, M.A., LL.D., p. 369.

Income and property taxes are equally unavailable, though for a different reason. Both are essentially personal and apply to a given individual. Now to tax a person on his income for the service of the locality in which he resides is open to the double objection that it is likely to be evaded and is grossly unfair. Local authorities have no efficient machinery for detecting concealed incomes, they are in a worse position than the English revenue officials in regard to foreign investments where failure is admitted. The mere moving from the area for part of the year would upset the arrangements. As to unfairness, Mr. Goschen's view seems conclusive. "It appears to be impossible to devise an equitable local income tax, for you cannot localise income. An attempt was made in Scotland, and it broke down when an English Lord

Chancellor, who drew his £10,000 a year in London, but had a small place in Scotland, was made to pay income tax on the whole of his income in that country as well as in this." No real correction could be made without exempting all income earned outside the district, or in other words, changing the income tax into a partial produce tax. No matter how large the local division may be the same objection lies. American States and Swiss cantons are as little suited for the application of separate income taxes as England, Ireland and Scotland. Owing to the variety of modern incomes and the trouble of following them to their sources, the income tax should always be general.

APPENDIX L-1.

(*Vide* paragraph 96.)

Extract from the Report of the Royal Commission on Local Taxation in England and Wales, p. 13.

The Elizabethan Poor Rate was perhaps originally intended to be something like a local income tax, and the practice of rating on "means and substance," which continued in some parts of Scotland down to our time, was very similar. It is, however, clear on reflection that a local income-tax, *i. e.*, an income-tax imposed and levied by Local Authorities within their own district tends more and more to be incompatible with modern social and political arrangements. The very conception is indeed obscure, for to what locality does an income belong? To the place or places from which it is derived? Or to the place or places where it is enjoyed, *i. e.*, where the recipient more or less permanently resides?

In the first place it is probably becoming less and less common to find persons in receipt of large incomes who have a single fixed place of residence, and the problem at once arises as to the allocation of the taxable income among the two or more districts in which the recipient from time to time resides. And the class of persons who for considerable periods have actually no fixed place of residence, but move about irregularly as business or pleasure suggests, though not very great, would be enough to cause most serious administrative trouble and expense.

But even if these difficulties were surmounted, they are small compared with those involved in the question whether the income should be taxed at its source, or its destination. It is, of course, conceivable that income should be taxed at its destination only, *i. e.*, when it reaches the hands of the recipient in the district where he resides. The technical objections alone would, in fact, be fatal to such a scheme, for it would dislocate our income tax system, and multiply indefinitely the fraud which that system has slowly reduced to a minimum. But apart from this practical difficulty, would a local income tax on such lines really satisfy anyone? Circumstances not unnaturally often lead wealthy people to congregate in districts far from those in which the sources of their wealth lie. In such districts the present system of local taxation is not oppressive, and relief is little needed. But many purely agricultural and industrial districts number very few wealthy residents, and a tax on the incomes of the inhabitants would be more burdensome and less productive than the present rates.

Probably, however, any scheme for a local income tax would attempt to tax incomes at their source as well as at their destination. But the difficulties here are still more baffling. Thus the income of a great landowner would have to be divided up not only between the districts in which he may reside, but also between those in which his property is situate. This, however, is a simple case. There are many large organisations which carry on business in scores of districts in such a way that it is almost impossible to say what proportion of their profits is derived from any of those districts. In what districts are the incomes of the thousands of shareholders in these concerns to be taxed? Instances of the chaos that would ensue might be indefinitely multiplied.

APPENDIX I-2

(Vide paragraph 96)

Extract from "National and Local Finance" by J. W. Grice (pp. 295-298).

In order that any proposal to allow the local authorities to levy additions to the central income tax on the pattern of Prussia may be adequately considered in full knowledge of all accompanying conditions, it is necessary to point out certain essential differences between the Prussian income tax and our own.

First, it is fixed for a number of years; it is not so much regarded by the central authority as the "sheet anchor" of its finance and liable to frequent alterations to make up deficiencies from other sources of revenue. Again, it is more highly graded, and all incomes over 3,000 marks are compulsorily "declared"; the land and business taxes are concurrent and not absorbed on the pattern of the English schedules, therefore there is to some extent double taxation; finally, and most important of all from the point of view of allowing additions to it, it is much less in amount for central purposes than in England (in Prussia it realised only £9,300,000 in 1903), and it is not, as in the English case, very largely levied at the source.

It will be remembered that the income tax additions of the communes, which constitute a surtax on the State income tax, on the same assessment and according to the same scale, are the only form of personal tax allowed to the local authorities, the complementary tax on capital being reserved to the central Exchequer. The State income tax includes all incomes over 900 marks, but the communes may subject to their additional percentages all incomes commencing from 420 marks, the prescribed rates below 900 marks being— from 420 to 660 marks, 2 marks, 40; from 660 to 900 marks, 4 marks. The communal authority draws up the list of tax-payers, which is submitted to the Assessment Commission, and is subject to revision by the Appeal Commission, and finally by the highest administrative tribunal—the Oberverwaltungsgericht.

As with the State tax, those subject are—(a) all persons who reside in the commune; (b) or stay there for three months; (c) or, without residing, or staying the statutory period, have landed or house property, commercial or industrial establishments, or exercise there a business or trade; (d) companies; (e) any other body of public utility (including the State) holding property therein or engaged in any profitable enterprise. Many professional persons and service functionaries both military and civil, and philanthropic foundations and institutions are by law exempt.

With respect to the State contributions, the tax is paid on the total income. But as soon as we enter the area of the local additions many perplexing problems arise. Any particular commune primarily has only a claim on that part of the income arising out of property held or business carried on in its own area.

On the one hand, for sample, a person may live in Berlin and possess there no property, nor pursue any vocation, and draw income from sources situate in other communes; and if those sources be situate in a number of communes, as is becoming more frequently the case, their interests as against one another and Berlin at once come into conflict. Two general rules serve as a first guide in allocating the proceeds, which are complementary or mutually exclusive according to circumstances. First, the quarter of the income of the tax-payer is subject to the communal additions of the commune where he resides usually, or where he has resided during any three months of the year, even if the sources of income are not situate in the commune. If he has resided in two or more communes for the legal period, even if his income is derived from none of them, the quarter of the tax will be shared among the communes in which he is liable. By the second rule, the income arising from immovable property is only subject to tax in the commune where it is situated.

By virtue of the first rule, when the income has its source outside Prussia, or partly in Prussia and partly outside, the commune where the tax-payer resides will receive the tax on a quarter of his total income, and not merely on

that portion arising from a source in Prussia. Thus a tax-payer pays, for example, at Berlin 52 marks of tax to the State for an income of 2,800 marks from business carried on there: but if he possesses property in Vienna which brings him in 30,000 marks, his total income is 32,800 marks, and Berlin, in its capacity as the place of residence, will levy a tax on a quarter of his whole income, namely, 8,200 marks.

By virtue of the second rule, the right of levying the tax belongs in the first instance to the commune in which is situated the fixed property, or where the business or industrial concern is carried on from which the profits arise. If other communes have also the right of levying a tax, because the tax-payer has resided there more than three months, the first commune will lose a part of its right to the whole amount.

From this circumstance arise contingencies and possible cases for which a whole code of numerous and complicated rules have had to be formulated, and which are rendered possible in working by (1) the Prussian system of registration and close administrative control of all the various kinds of fixed property and sources of income; (2) the very general opinion that in spite of the many apparently vexatious regulations the system does, in the long run, work out fairly; and (3) the readiness with which the required self-declaration has been accepted for all incomes over 3,000 marks.

APPENDIX L-3.

(Vide paragraph 96.)

Extract from the Report of the Departmental Committee on Local Taxation in England and Wales (pp. 75-76).

(2) *Local Income-Tax as a Subsidiary Source of Local Revenue.*

278. The principal exponent of the second proposal was Lord St. Aldwyn, who cited the Prussian system of local taxation and wishes to see the question fully examined by experts in the light of the experience gained in that country. This was, in fact, done by Messrs. Braithwaite and Ninnis, of the Inland Revenue Department, in 1910.

By the courtesy of the Commissioners of Inland Revenue we have been supplied with a copy of their report, and it is published, for the first time, in the Appendix to this Report.

279. Some of the witnesses before the Committee were in favour of the proceeds of the local income-tax being applied to national services in part satisfaction of the claim of local authorities on the Exchequer in respect of these services. This would, however, be open to the objection as placing on one class of contributors to the national Exchequer a burden which should be borne by the nation as a whole.

280. But under the scheme sketched out by Lord St. Aldwyn there would be a direct contribution from the general revenues of the Exchequer to local authorities for certain services in place of the present system of assigned revenues and the local income-tax would supplement the rates as a source of local revenue.

To minimise the administrative difficulties he proposed that the power of imposing the tax should be restricted to the county and county borough authorities. The actual machinery of assessment and collection would be in the hands of the Board of Inland Revenue, the local authority merely sending in its precept for the sum required. The proportions in which revenue would be raised from rates and the local income-tax would be determined according to certain rules, somewhat on the analogy of the Prussian system. All unearned income that could be localised would be taxed in the area from which it was derived, the income from enterprises extending into several rating areas being divided among those areas in proportion to the rateable value of the property occupied in each. Earned income and income from foreign investments would be taxed in the area of residence. In all cases the tax would be

levied on the same basis as the present income-tax, *i. e.*, subject to the same exemptions, abatements, etc.

281. We have submitted these proposals to the Board of Inland Revenue, and in a reasoned memorandum, printed in the Appendix, they have expressed the opinion that they are incompatible with the present system of collecting income-tax at the source. We agree with their arguments and their conclusions.

They state, however, that subject to two conditions it would not be impossible, though difficult, to work the combination of a local income-tax at varying rates with an imperial income-tax at a uniform rate, while maintaining the principle of collection at the source. These are

- (1) that the local income-tax should be assessed and collected in the first instance, at a maximum rate, subject to the right of individual taxpayers to repayment of the difference between the tax at that rate and at the rate imposed in the area in which they reside;
- (2) that the proceeds of the tax be allocated by reference to the place of residence of the individuals who receive and enjoy the income.

But the Board point out that the first condition would involve the withdrawal of considerable sums from the taxpayer in excess of the amount ultimately due, and cause much trouble and expense in connection with repayments. The second condition would, in the opinion of the Committee, give rise to such inequalities between residential and industrial districts as practically to destroy the value of the scheme.

282. The only alternative, the Board consider, would be to adopt the system of direct assessment for local purposes based upon returns from individual taxpayers. They adduce convincing reasons against the adoption of this method of collecting the national tax, and we think that the risk of evasion and the difficulty of allocating the income of each taxpayer between the several areas from which it is derived, or in which he resides, would be too great to justify the setting up of a separate system for local purposes only.

In addition to the administrative difficulties referred to above, we are of opinion that a local income-tax would materially interfere with the usefulness of national income-tax as a source of revenue. On the above grounds we are unable to recommend the proposal.

APPENDIX M.

(*Vide* paragraph 99.)

Extract from the Report of the Royal Commission on Local Taxation in England and Wales (p. 21).

It is, however, to the other classes of the revenue, surrendered by Mr. Goschen in 1888, that we are inclined to look for the means of taking the first practical steps for placing Local finance on a sounder and broader footing, *viz.*, to what are known as the Local Taxation Licenses.

Local Taxation Licenses might furnish further assistance to local funds.

These Licenses are of two descriptions, (a) those required to be taken out by particular classes of traders whom the State desires, for one reason or another, to place, under supervision or regulation, and (b) those to be required to be taken out in respect of particular items of more or less luxurious, or at least non-essential expenditure, *viz.*, the Establishment Licenses taken out for Male Servants, Carriages, Armorial Bearings, Guns and Game, and Dog Licenses.

Trading Licenses might, in some cases, be increased.

With regard to the Trading Licenses we may observe that they appeared to Mr. Goschen, as they do to ourselves, to afford a most appropriate means by which the burdens imposed upon the owners and occupiers of rateable property may be relieved. Many of those Licenses are required to be taken out in respect of particular premises, and the profits of the trader are drawn for the

most part from the immediate locality in which his business is carried on. Some of them, at any rate, might be substantially increased without any great hardship, and although it is, perhaps, beyond our province to consider this side of the question, we may at least refer to a suggestion which has obtained considerable support, *viz.*, that a sufficient proportion of the value attaching to the Licenses for the sale of intoxicating liquors is not in all cases, *e.g.*, in the case of hotels, reserved for the benefit of the community. We would also refer to the fact that the Stamp Duties paid on the licenses and certificates, required to be taken by bankers and solicitors—and there are one or two other similar imposts—still form part of the Imperial scheme of finance although there is no distinction in principle between these imposts and those which have already been surrendered.

Certain Stamp Duties might be diverted to Local Taxation Account.

The Establishment Licenses appear to us, also, to be particularly well adapted for assignment to the Local purse, and to be capable of considerable development. Indeed, by this means, some of the great drawbacks to the existing system from the point of view of the occupier, may be counterbalanced. We have already called attention to the fact that a man's rent does not increase in proportion to his income, and that many a man of comparatively small means is compelled by family or other considerations to occupy a house of equal or even greater value than his richer neighbour. Anomalies such as these can readily be adjusted by means of the License Duties on expenditure of the character referred to.

Establishment Licenses are capable of development.

The increase and development of these Duties, and those on the Trading Licenses to which we have referred, would involve no increased draft upon the existing resources of the Exchequer, and in them the ratepayers may be said to possess a property capable of development and improvement, and one which may be made the means of affording considerable relief from the existing burdens of local taxation.

Proposals concerning Local Taxation Licenses would entail no further drafts from Exchequer.

APPENDIX N.

(*Vide* paragraph 99.)

Extract from the final report of the Departmental Committee on Local Taxation (pp. 76 and 77).

283. In default of a local income tax, Lord St. Aldwyn suggested that the basis of local taxation might be broadened in the following ways:—

- (a) By extending the system of local license duties and handing them over to the county and county borough councils.
- (b) By remodelling the inhabited house duty with reference to the comparative cost of house accommodation in different parts of the country and transferring it to the same authorities.
- (c) By empowering these authorities to levy other local duties, such as a tax on amusements.

Similar suggestions were put forward by Mr. Haward on behalf of the London County Council, and the transfer of the inhabited house duty was also supported by Mr. Sabin, a representative of the Surveyors' Institution.

284. In this connection we have also had under consideration the provisions of section 91 of the Finance (1909-10) Act, 1910, assigning to local authorities one-half of the land value duties levied under that Act. The operation of this section has been suspended by section 16 of the Revenue Act, 1911, until Parliament shall otherwise determine, but not beyond 31st March 1914.

(1)—*The Retention of the Establishment License duties by Local Authorities.*

285. At first sight there would appear to be something to be said for making an exception in the case of the Establishment License Duties to our

general recommendation in favour of the reversion of the assigned revenues to the Exchequer. These duties possess marked local characteristics, and their collection locally presents no great difficulties; in fact the responsibility for collection rests at present with the local authorities. The justification for several of these duties lies not in their revenue-producing capacity, but in the fact that they bring the license-holder to some extent within the sphere of police control.

On the other hand it may be pointed out that they still retain many of the characteristics of a national tax. The duties are fixed by Parliament uniformly over the country and the licenses in respect of which they are levied have a national currency. Also the absence of any restriction on the licensee to take out his license in any particular local Government area, *e. g.*, that in which he resides or in that in which he carries on his business, makes an equitable allocation of the proceeds of the duties extremely difficult.

A still more serious objection, in our opinion, is that the continued assignment of these revenues to local authorities involves depriving the Imperial Exchequer of a potential source of Revenue. If at any future time the Chancellor of the Exchequer wishes to draw on these objects for additional taxation, it would be necessary either to restore them to the Exchequer or to convert them into fixed grants.

The question does not, in our view, affect the amount of the Exchequer aid, but only the form in which it should be given. In these circumstances we prefer the method which is best calculated to promote the efficiency of local administration and to reduce the inequalities between local Government areas, *viz.*, that of direct grants.

286. We propose, therefore, that the Local Taxation License Duties should revert wholly to the Exchequer, and it would logically follow that local authorities should be relieved of all responsibility in connection with their collection.

APPENDIX P.

(Vide paragraph 115 (2).)

Summary of the Schedule of License Fees levied in Madras City.

H 1359-104p

Class.	Arts, Professions, Trades and Callings that are taxed.						
	Companies.	Yearly fee.	Salaries.	Yearly fee.	Others.	Yearly fee.	
		Rs.	Rs.	Rs.		Rs.	
I.	Capital exceeding Rs. 20 lakhs...	500	Exceeding 5,000 monthly	350	(1) Merchants, bankers, contractors, ship-owners, traders, auctioneers, Commission Agents or any Agents or servants in charge of business of the aforesaid persons when the principals are non-resident. (2) Editors or Proprietors of Newspapers. (3) Keepers of any Warehouse or produce Depot. (4) Dubashes, Brokers, etc. (5) Practising Barristers, Pleaders, etc.		
	Capital ranging from Rs. 3 lakhs to 20 lakhs ...	150-350	3,000-5,000	250	(6) Practising Physicians, Surgeons, Architects, Civil Engineers ... (7) Owners of Markets, Hotel-keepers, Shop-keepers, etc. (8) Owners of any Printing Press, Press for cotton, jute etc., of any Coffee cleaning establishment, Mill or other industry. (9) Professional Artists, Manufacturers, Painters, Photographers, Actors, Musicians, Dancers, and dealers of every description not specified above.	250	
II.	Capital from Rs. 2 lakhs to 3 lakhs ...	100	2,000-3,000	150	Do do.	not assessed under class I, and Veterinary Surgeons, Surveyors, Apothecaries, etc.	150
III.	Capital from 1 to 2 lakhs ...	50	1,000-2,000	75	Do. do.	not assessed under class I or II and Hakims, Vaidyas and Native Medical practitioners.	75
IV.	All other companies ..	35	750-1,000	35	Do. do.	not assessed under Class III	35
V.	.....	...	500-750	20	Do. do.	not assessed under Class IV	20
VI.	.....	...	200-500	10	Do. do.	not assessed under Class V	10
VII	.....	...	100-200	5	Do. do.	not assessed under Class VI	5